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Explanatory Foreword

Welcome to Solihull Metropolitan Borough Council's Statement of Accounts for the financial year 2010/11. These accounts set out, in accordance with approved guidelines, the financial results of the Council's activities for the year ended 31 March 2011.

The Council's ambition is to deliver high quality services for all its residents. More details on Council activities are available on our website: www.solihull.gov.uk

Review of 2010/11

Approving the Budget

The Council's budget for 2010/11 was £148.210m, excluding schools which are directly funded by the Dedicated Schools Grant from central Government. The budget was approved on 1 March 2010, with planned expenditure on services increasing by £15.958m over the 2009/10 base budget. Of this amount, £1.257m was allocated against inescapable corporate funding commitments (e.g. changes in levies, increases in Treasury Management costs and Landfill Tax and continued investment in the Council's priorities), £12.434m against increased funding pressures and £2.290m against inflationary increases.

Efficiency savings totalling £12.707m were identified as part of the budget process to reduce the overall net increase in the budget to £3.274m.

For 2010/11 the Council set a Band D council tax of £1,321 (including Police and Fire but excluding Parish Precepts), an increase of £28.18 (2.18%) over the previous year.

Financial Management

The Council adopts a cash limited approach to its Budget with Cabinet Members and Corporate Directors being responsible for ensuring services are delivered within budget, whilst allowing flexibility within the overall cash limit to transfer money from one budget head to another to meet changing demands. This process is supported by a series of delegations overseen by the Leader of the Council as the Cabinet Member responsible for Resources.

Capital Spending Summary

Capital spending is money spent on fixed assets that have a life expectancy of more than one year and, therefore, have the potential to benefit not just current but future taxpayers within the Borough. The assets are usually funded over a longer period than one year, either from borrowing or from reserves built up over a period of time.

The total spending on the capital programme for 2010/11, including HRA, was £56.508m (including accruals) compared with a revised budget of £61.351m, a net under spend in year of £4.843m (7.9%). Re-phasing of £4.184m will be added into the general fund capital programme for 2011/12, due to delays compared to anticipated progress across a number of schemes.

A summary of the Council's internal and external sources of funds available to meet its capital expenditure and other financial commitments including PFI/PPP schemes is also included in Note 43.

During the year the Council did not make any major fixed asset acquisitions and the disposals resulted in total capital receipts received by the Council during the year of £2.6m. There were disposals of various plots of land in the north of the borough amounting to £836k for regeneration purposes. There were no other major disposals.

During 2010/11 the Council's housing stock has been revalued downwards by £146.170m. The main factor contributing to this decrease in valuation is a drop in the regional adjustment factor which must be applied to the valuation to arrive at a valuation for Social Housing. For the West Midlands Area the factor to be applied fell from 49% in 2009/10 to 34% in 2010/11.

Revenue Spending Summary

Actual net expenditure in respect of General Fund services and levies amounted to £142.884m compared with the revised budget estimate of £148.210m resulting in a net under spend of £5.326m. This includes £218k of Dedicated Schools Grant (DSG) under spend which will be carried forward into 2011/12 against the DSG, leaving a net under spend of £5.108m. In arriving at this net under spend position, the Council has benefited from a significant amount of one-off savings.

The year end position for working balances in 2010/11 can be summarised as follows:

	£000	£000
Working balances at 1/4/2010		7,333
Original budgeted use of reserves	(1,578)	
Original budgeted contribution to reserves	190	
2009/10 overspend repaid (schools)	275	
		(1,113)
Additional use of reserves		(15)
Additional contribution to reserves		699
		6,904
Add net under spend		5,108
Add Schools under spends to be carried forward to 2011/12		218
Working Balances at 31/3/2011		12,230

The planned use of Working Balances is as follows:-

	£000	£000
Working balances at 1/4/2011		12,230
2010/11 Schools under spend repaid	(218)	
2011/12 Budgeted use of reserves as per Medium Term Financial Strategy	(125)	
2011/12 Reduction in budgeted use of reserves due to increased Council Tax freeze grant	9	
		(334)
Working balances available on 1/4/2011		11,896

Statement of Accounts

The Statement of Accounts includes a Statement of Accounting Policies, which explains the way we have accounted for items in this document, and in the Core Financial Statements.

The Statement of Accounting Policies has been revised in 2010/11 due to the changes required under the International Financial Reporting Standards (IFRS). The significant IFRS changes have been detailed in Note 1 on page 15.

Explanations of the Core Financial Statements included in the Statement of Accounts have been included at the beginning of each Core Financial Statement. These can be found on the following pages:-

Movement in Reserves Statement (MIRS)	page 9
Comprehensive Income and Expenditure Statement (CI&ES)	page 11
Balance Sheet	page 12
Cash Flow Statement	page 14

The Supplementary Financial Statements section contains the following statements:

Housing Revenue Account (HRA) CI&ES	page 92
Collection Fund	page 97
Group Accounts	page 99

Other areas to Highlight

Pension Liability

There is currently a net deficit, attributable to the Council, on the West Midlands Metropolitan Authorities Pension Fund. This is reviewed periodically by the Fund Actuary (Mercer Human Resource Consulting). Steps have been taken to address this deficit within the medium and long term financial strategy of the Council.

International Financial Reporting Standards (IFRS)

2010/11 is the first year in which all councils must produce their accounts in line with International Financial Reporting Standards (IFRS). NHS and Central Government made this transition in 2009/10, so this is an important step towards Whole of Government Accounts being produced on a consistent basis.

A Project Board and a Project Team were set up during 2009/10 to undertake and oversee the work required to achieve this fundamental change in accounting requirements. Regular reporting to the Council's Audit Committee has also ensured that Members were kept informed of progress throughout this period of transition.

The date of transition to IFRS was 1 April 2009. In line with this, prior year figures across all of the statements and disclosure notes in this year's accounting statement have been re-stated on an IFRS basis, to give meaningful comparative information. In addition to this, the relevant standards require the production of an opening Balance Sheet as at the transition date, so a third balance sheet as at 1 April 2009 is provided alongside the Balance Sheet as at 31 March 2010 (on page 12), in addition to the Balance Sheet as at 31 March 2011.

For further details on the changes that have been made to the prior year figures as part of the transition to IFRS, please see Note 1 to the Accounts (on page 15).

Impact of Current Economic Climate

National economic circumstances have had a profound impact on public finances. Central Government announced major funding reductions across a range of public services in its efforts to reduce the nation's budget deficit and re-balance the books. Nowhere has this been felt more keenly than within local government.

In Solihull specifically we are coming to terms with a 25% reduction in grant over the next two years. Yet at the same time the demand and cost of key services that we provide to the most vulnerable people in our community, notably within Adult Social Care and Children's Services, continue to increase.

Whilst other councils have been forced to make dramatic reductions in frontline services, the focus within Solihull has been to protect these vital services so far as it is possible and to deliver savings through improving efficiency and identifying new, innovative and lean ways of working.

Future Plans

The Council has five top projects, these are as follows:

- Putting Solihull People First (Transforming Adult Social Care)
- Integrated Delivery of Children's Services
- North Solihull Regeneration
- New Ways of Working
- Going Lean

The first two projects focus on prevention and early intervention as priority activities. 'North Solihull Regeneration' will be a key priority in our capital programme proposals whilst 'New ways of working' and 'Going Lean' provide strategies for improving productivity, efficiency and transforming services.

Paul Johnson CPFA
Director of Resources
30 June 2011

Statement of Responsibilities

The Council's Responsibilities:

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Resource's Responsibilities:

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom: (the Code).

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The Director of Resources is required to sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2011.

Councillor P Hogarth
Chair of Governance Committee
27 June 2011

Paul Johnson CPFA
Director of Resources
30 June 2011

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase) /Decrease before the Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Working Balance £000	Earmarked General Fund Balance £000	Specific Revenue Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
Balance at 1 April 2009	(8,210)	(2,377)	(38,786)	(4,374)	(5,495)	0	(4,240)	(63,482)	(771,121)	(834,603)	(5,296)	(839,899)
Movement in Reserves during 2009/10												
(Surplus) or deficit on the provision of services	117,286			6,130				123,416		123,416	(1,394)	122,022
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(12,989)	(12,989)	6,577	(6,412)
Total comprehensive income and expenditure	117,286	0	0	6,130	0	0	0	123,416	(12,989)	110,427	5,183	115,610
Adjustments between accounting basis & funding basis under regulations (Note 6)	(114,016)	0	0	(6,033)	3,913	(405)	(2,573)	(119,114)	119,114	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	3,270	0	0	97	3,913	(405)	(2,573)	4,302	106,125	110,427	5,183	115,610
Transfers to/(from) Earmarked Reserves (Note 7)	(2,393)	525	1,868	0	0	0	0	0	0	0	0	0
(Increase)/decrease in 2009/10	877	525	1,868	97	3,913	(405)	(2,573)	4,302	106,125	110,427	5,183	115,610

	General Fund Working Balance £000	Earmarked General Fund Balance £000	Specific Revenue Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Council Share of Group Reserves £000	Total Reserves (Incl Group) £000
Balance at 31 March 2010 carried forward	(7,333)	(1,852)	(36,918)	(4,277)	(1,582)	(405)	(6,813)	(59,180)	(664,996)	(724,176)	(113)	(724,289)
(Surplus) or deficit on the provision of services	2,158	0	0	147,759	0	0	0	149,917	0	149,917	(3,179)	146,738
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(20,917)	(20,917)	(3,903)	(24,820)
Total comprehensive income and expenditure	2,158	0	0	147,759	0	0	0	149,917	(20,917)	129,000	(7,082)	121,918
Adjustments between accounting basis & funding basis under regulations (Note 6)	(9,542)	0	0	(147,130)	(766)	(137)	(1,868)	(159,443)	159,443	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(7,384)	0	0	629	(766)	(137)	(1,868)	(9,526)	138,526	129,000	(7,082)	121,918
Transfers to/(from) Earmarked Reserves (Note 7)	2,487	699	(3,186)	0	0	0	0	0	0	0	0	0
(Increase)/decrease in 2010/11	(4,897)	699	(3,186)	629	(766)	(137)	(1,868)	(9,526)	138,526	129,000	(7,082)	121,918
Balance at 31 March 2011 carried forward	(12,230)	(1,153)	(40,104)	(3,648)	(2,348)	(542)	(8,681)	(68,706)	(526,470)	(595,176)	(7,195)	(602,371)

Comprehensive Income and Expenditure Statement

This statement shows the income, expenditure and net cost during the year in relation to each service the Council is responsible for. The statement also shows the net cost for other areas of income and expenditure, not directly relating to a service. This all results in a (Surplus) or Deficit on Provision of Services. Following this there are other items of (Surplus) or Deficit that need to be shown as Other Comprehensive Income & Expenditure. There will be a large deficit showing at the bottom of this statement, this is because there are a number of differences between the way in which the Council is funded and the way we have to show our income and spending in the CI&ES. These differences are adjusted for in the Movement in Reserves Statement. It is the General Fund Working Balance increase or decrease shown in the Movement in Reserves which shows the overall revenue position for the Council.

31 March 2010 (Restated)				31 March 2011		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
30,496	(26,431)	4,065	Central services to the public	31,527	(28,282)	3,245
43,939	(13,123)	30,816	Cultural, environmental, regulatory and planning services	43,543	(12,518)	31,025
311,230	(186,114)	125,116	Education & children's services (Note 5)	274,851	(194,896)	79,955
26,710	(5,904)	20,806	Highways & transport services	20,158	(6,322)	13,836
43,023	(38,296)	4,727	Local authority housing (HRA) (Note 5)	183,471	(37,906)	145,565
61,538	(57,679)	3,859	Other housing services	61,986	(59,787)	2,199
65,141	(8,164)	56,977	Adult social care	65,801	(8,784)	57,017
4,648	(92)	4,556	Corporate & democratic core	4,447	(54)	4,393
50	0	50	Non distributed cost (Note 5 & 48)	(30,432)	0	(30,432)
320	0	320	Court services	319	0	319
587,095	(335,803)	251,292	Cost Of Services	655,671	(348,549)	307,122
	1,221		Payments of precepts to parishes			1,297
	10,954		Levies payable			11,124
	752		Amounts payable into the Housing Capital Receipts Pool			478
	24,576		(Gain)/Loss on Disposal of Non-current Assets			(1,416)
	37,503		Total Other Operating Expenditure			11,483
	8,148		Interest payable on debt			8,010
	17		Interest payable on finance leases			19
	4,967		Interest payable on PFI unitary payments			5,721
	10,414		Pension interest costs (Note 48)			7,253
	(1,287)		Investment Interest income			(683)
	(5,063)		Changes in fair value of investment properties			849
	(4,234)		Rents received on investment properties			(4,166)
	63		Expenses incurred on investment properties			89
	13,025		Total Financing and Investment Income & Expenditure			17,092
	(92,726)		Council tax			(94,873)
	(43,758)		NNDR			(47,714)
	(20,099)		Non ring-fenced government grants (Note 40)			(21,311)
	(21,821)		Recognised capital grants and contributions (Note 40)			(21,882)
	(178,404)		Total Taxation and Non-Specific Grant Income			(185,780)
	123,416		(Surplus) or Deficit on Provision of Services			149,917
	(62,795)		(Surplus) or deficit on revaluation of non current assets			17,119
	(8,289)		(Surplus) or deficit on revaluation of available for sale financial assets			0
	58,925		Actuarial (gains) / losses on pension assets / liabilities			(38,036)
	(1,223)		Any other (gains)/losses			0
	393		Prior Period Adjustment - Collection Fund			0
	(12,989)		Other Comprehensive Income and Expenditure			(20,917)
	110,427		Total Comprehensive Income and Expenditure			129,000

Balance Sheet

The Balance Sheet shows the overall financial position of the Council at the year end, by detailing how much is owned by the Council and how much it owes. The net assets of the Council (what is owned less what is owed) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council and Schools may use to provide services. The second category of reserves is those that the Council is not able to use to provide services.

01 April 2009 Restated £000	31 March 2010 Restated £000		31 March 2011 £000	Notes
431,489	437,114	Council Dwellings	287,937	
534,491	515,395	Other Land and Buildings	464,527	
26,284	27,332	Vehicles, Plant and Equipment	23,281	
80,982	74,831	Infrastructure	87,860	
7,445	8,356	Community Assets	8,938	
10,579	12,514	Assets under Construction	7,347	
1,091,270	1,075,542	Total Property, Plant & Equipment	879,890	8
77,049	82,282	Investment Property	82,337	13
3,311	4,130	Intangible Assets	2,770	14
36,039	35,602	Long Term Investments	34,329	15&18
1,288	1,408	Long Term Debtors	2,186	22
1,208,957	1,198,964	Long Term Assets	1,001,512	
34,405	3,727	Short Term Investments	1,839	15&18
332	267	Inventories	320	20
26,053	29,969	Short Term Debtors	27,094	21
429	92	Cash and Cash Equivalents	38	23
6,111	5,890	Payments in Advance	6,003	24
0	0	Landfill Allowances	440	
67,330	39,945	Current Assets	35,734	
(2,627)	(13,107)	Bank Overdraft	(8,704)	23
(274)	(15,438)	Short Term Borrowing	(13,862)	15&18
(43,757)	(40,368)	Short Term Creditors	(38,126)	25
(903)	(711)	Short Term Provisions	(963)	28
(18,408)	(18,489)	Receipts in Advance	(19,116)	27
(65,969)	(88,113)	Current Liabilities	(80,771)	
0	0	Long Term Creditors	(286)	26
(1,286)	(1,312)	Long Term Provisions	(1,628)	28
(193,294)	(154,080)	Long Term Borrowing	(153,746)	15&18
(130,246)	(195,687)	Net Pensions Liability	(134,442)	48
(41,636)	(66,592)	Other Long Term Liabilities	(64,960)	44&45
(9,253)	(8,949)	Capital Grants Receipts in Advance	(6,237)	40
(375,715)	(426,620)	Long Term Liabilities	(361,299)	
834,603	724,176	Net Assets	595,176	

01 April 2009 Restated £000	31 March 2010 Restated £000		31 March 2011 Notes £000	
(8,210)	(7,333)	General Fund Working Balance	(12,230)	
(2,377)	(1,852)	General Fund Earmarked Balance	(1,153)	
(38,786)	(36,918)	Specific Revenue Reserves	(40,104)	
(4,374)	(4,277)	Housing Revenue Account (HRA)	(3,648)	
(5,495)	(1,582)	Capital Receipts Reserve	(2,348)	
0	(405)	Major Repairs Reserve	(542)	
(4,240)	(6,813)	Capital Grants Unapplied Account	(8,681)	
(63,482)	(59,180)	Usable Reserves	(68,706)	31
(97,193)	(154,701)	Revaluation Reserve	(132,074)	
0	(8,289)	Available for Sale Financial Instruments Reserve	(8,289)	
(806,589)	(700,781)	Capital Adjustment Account	(522,794)	
(504)	(571)	Financial Instruments Adjustment Account (FIAA)	(954)	
130,246	195,687	Pensions Reserve	134,442	
(393)	(428)	Collection Fund Adjustment Account	(438)	
3,312	4,087	Accumulated Absences Account	3,637	
(771,121)	(664,996)	Unusable Reserves	(526,470)	32
(834,603)	(724,176)	Total Reserves	(595,176)	

Cash Flow Statement

The Cash Flow Statement summarises the movement of cash and cash equivalents during the year regardless of which year they relate to. The other statements are based on any transaction or change in value that is relevant to 2010/11. The Cash Flow Statement removes transactions that do not involve cash, for example, if the Council is owed money from a grant at the year end, it will be reflected in the CI&ES but not in the Cash Flow Statement. If a grant is received during the year in advance for the following year, it will be reflected in the Cash Flow Statement, but not in the CI&ES.

31 March 2010 Restated £000		31 March 2011 £000
123,416	Net (surplus) or deficit on the provision of services	149,917
(143,771)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(191,735)
2,561	Adjustments for items in the net surplus or deficit on the provision of services that are investing and financial activities	18,104
<hr/> (17,794)	Net cash flows from operating activities (Note 33)	<hr/> (23,714)
(3,266)	Investing activities (Note 34)	18,754
31,877	Financing activities (Note 35)	611
<hr/> 10,817	Net (increase) or decrease in cash and cash equivalents	<hr/> (4,349)
(2,198)	Cash and cash equivalents at the beginning of the reporting period	(13,015)
<hr/> (13,015)	Cash and cash equivalents at the end of the reporting period (Note 23)	<hr/> (8,666)

1. Transition to International Financial Reporting Standards (IFRS)

The Accounting Statement for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Accounting Statement for 2009/10.

The corresponding figures in all the Disclosure Notes have been restated.

The following tables explain how the balances in the Core Statements have changed between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 statements:

a) Balance Sheet

Extract from Balance Sheet (only those lines which have changed under IFRS are shown below)

2008/09 Balance sheet	Net figures per audited accounts 31 March 2009 £000	Grants (i) £000	Capital changes (ii) £000	Employee benefits/ provisions (iii) £000	PFI/ leasing (iv) £000	Non-IFRS changes (v) £000	31 March 2009 restated £000
Other Land and Buildings	530,442	0	4,049	0	0	0	534,491
Vehicles, Plant and Equipment	21,410	0	0	0	4,874	0	26,284
Community Assets	7,212	0	233	0	0	0	7,445
Other Property, Plant & Equipment	523,050	0	0	0	0	0	523,050
Total Property, Plant & Equipment	1,082,114	0	4,282	0	4,874	0	1,091,270
Land Held Pending Development	17,548	0	(17,548)	0	0	0	0
Investment Property	72,459	0	4,590	0	0	0	77,049
Long Term Investments	36,626	0	0	0	0	(587)	36,039
Other Long Term Assets	4,599	0	0	0	0	0	4,599
Long Term Assets	1,213,346	0	(8,676)	0	4,874	(587)	1,208,957
Current Assets	67,330	0	0	0	0	0	67,330
Short Term Creditors	(39,320)	0	0	(3,312)	(1,125)	0	(43,757)
Short Term Provisions	0	0	0	(903)	0	0	(903)
Receipts in Advance	(22,699)	4,291	0	0	0	0	(18,408)
Other Current Liabilities	(2,901)	0	0	0	0	0	(2,901)
Current Liabilities	(64,920)	4,291	0	(4,215)	(1,125)	0	(65,969)
Provisions	(2,189)	0	0	903	0	0	(1,286)
Other Long Term Liabilities	(37,678)	0	0	0	(3,958)	0	(41,636)
Capital Grants Receipts in Advance	0	(9,253)	0	0	0	0	(9,253)
Government Grants Deferred	(102,969)	102,969	0	0	0	0	0
Capital Contributions Deferred	(13,493)	13,493	0	0	0	0	0
Long Term Borrowing	(193,294)	0	0	0	0	0	(193,294)
Net Pensions Liability	(130,246)	0	0	0	0	0	(130,246)
Long Term Liabilities	(479,869)	107,209	0	903	(3,958)	0	(375,715)
Net Assets	735,887	111,500	(8,676)	(3,312)	(209)	(587)	834,603
Specific Revenue Reserves	(34,495)	(4,291)	0	0	0	0	(38,786)
Capital Grants Unapplied	0	(4,240)	0	0	0	0	(4,240)
Other Usable Reserves	(20,456)	0	0	0	0	0	(20,456)
Usable Reserves	(54,951)	(8,531)	0	0	0	0	(63,482)
Revaluation Reserve	(105,620)	0	8,427	0	0	0	(97,193)
Capital Adjustment Account	(704,665)	(102,969)	249	0	209	587	(806,589)
Accumulated Absences Account	0	0	0	3,312	0	0	3,312
Other Unusable Reserves	129,349	0	0	0	0	0	129,349
Unusable Reserves	(680,936)	(102,969)	8,676	3,312	209	587	(771,121)
Total Reserves	(735,887)	(111,500)	8,676	3,312	209	587	(834,603)

2009/10 Balance Sheet	Net figures per audited accounts 31 March 2010 £000	2008/09 Net changes (as detailed above) £000	Grants (i) £000	Capital changes (ii) £000	Employee benefits/ provisions (iii) £000	PFI/ leasing (iv) £000	31 March 2010 restated £000
Other Land and Buildings	514,411	4,049	0	(3,065)	0	0	515,395
Vehicles, Plant and Equipment	22,241	4,874	0	0	0	217	27,332
Community Assets	8,329	233	0	(206)	0	0	8,356
Other Property, Plant & Equipment	524,459	0	0	0	0	0	524,459
Total Property, Plant & Equipment	1,069,440	9,156	0	(3,271)	0	217	1,075,542
Land Held Pending Development	16,612	(17,548)	0	936	0	0	0
Investment Property	75,298	4,590	0	2,394	0	0	82,282
Long Term Investments	36,189	(587)	0	0	0	0	35,602
Other Long Term Assets	5,538	0	0	0	0	0	5,538
Long Term Assets	1,203,077	(4,389)	0	59	0	217	1,198,964
Current Assets	39,945	0	0	0	0	0	39,945
Short Term Creditors	(34,845)	(4,437)	0	0	(775)	(311)	(40,368)
Short Term Provisions	0	(903)	0	0	192	0	(711)
Receipts in Advance	(21,777)	4,291	(1,003)	0	0	0	(18,489)
Other Current Liabilities	(28,545)	0	0	0	0	0	(28,545)
Current Liabilities	(85,167)	(1,049)	(1,003)	0	(583)	(311)	(88,113)
Long Term Creditors	0	0	0	0	0	0	0
Provisions	(2,023)	903	0	0	(192)	0	(1,312)
Other Long Term Liabilities	(62,460)	(3,958)	0	0	0	(174)	(66,592)
Capital Grants Receipts in Advance	0	(9,253)	304	0	0	0	(8,949)
Government Grants Deferred	(116,014)	102,969	13,045	0	0	0	0
Capital Contributions Deferred	(15,762)	13,493	2,269	0	0	0	0
Long Term Borrowing	(154,080)	0	0	0	0	0	(154,080)
Net Pensions Liability	(195,687)	0	0	0	0	0	(195,687)
Long Term Liabilities	(546,026)	104,154	15,618	0	(192)	(174)	(426,620)
Net Assets	611,829	98,716	14,615	59	(775)	(268)	724,176
Specific Revenue Reserves	(33,630)	(4,291)	1,003	0	0	0	(36,918)
Capital Grants Unapplied	0	(4,240)	(2,573)	0	0	0	(6,813)
Other Usable Reserves	(15,449)	0	0	0	0	0	(15,449)
Usable Reserves	(49,079)	(8,531)	(1,570)	0	0	0	(59,180)
Revaluation Reserve	(169,190)	8,427	0	6,062	0	0	(154,701)
Capital Adjustment Account	(579,959)	(101,924)	(13,045)	(6,121)	0	268	(700,781)
Accumulated Absences Account	0	3,312	0	0	775	0	4,087
Other Unusable Reserves	186,399	0	0	0	0	0	186,399
Unusable Reserves	(562,750)	(90,185)	(13,045)	(59)	775	268	(664,996)
Total Reserves	(611,829)	(98,716)	(14,615)	(59)	775	268	(724,176)

b) Cash Flow Statement

The format of the Cash Flow Statement has changed under IFRS and this is now presented using the Indirect Method rather than the Direct Method. All of the changes made under IFRS are accounting policy changes only and therefore do not affect the Council's cash position. As a result, all of the changes made to the Comprehensive Income & Expenditure Account below are included as part of the line in the Cash Flow Statement "Adjustments to net surplus or deficit on the provision of services for non cash movements."

c) Comprehensive Income and Expenditure Statement (CI&ES)

	Net spending per audited accounts 2009/10 £000	Grants (i) £000	Capital changes (ii) £000	Employee benefits/ provisions (iii) £000	PFI/ leasing (iv) £000	Restated 2009/10 net spending £000
Central services to the public	3,634	387	0	44	0	4,065
Cultural, environmental, regulatory and planning services	27,781	541	2,692	90	(288)	30,816
Education & Children's Services	119,095	5,485	0	551	(15)	125,116
Highways & transport services	20,058	721	0	27	0	20,806
Local authority housing (HRA)	4,657	101	(31)	0	0	4,727
Other housing services	3,933	(80)	0	6	0	3,859
Adult social care	56,891	67	0	19	0	56,977
Corporate & democratic core	4,518	0	0	38	0	4,556
Other Services	370	0	0	0	0	370
Cost Of Services	240,937	7,222	2,661	775	(303)	251,292
Other Operating Expenditure	37,503	0	0	0	0	37,503
Interest payable on debt	12,560	0	0	0	(4,412)	8,148
Interest payable on finance lease	0	0	0	0	17	17
Interest payable on PFI unitary payments	0	0	0	0	4,967	4,967
Changes in fair value of investment properties	0	0	(5,063)	0	0	(5,063)
Rents received on investment properties	0	0	(4,234)	0	0	(4,234)
Expenses incurred on investment properties	0	0	63	0	0	63
Other Financing and Investment Income & Expenditure	9,127	0	0	0	0	9,127
Financing and Investment Income & Expenditure	21,687	0	(9,234)	0	572	13,025
Income from the Collection Fund	(92,726)	0	0	0	0	(92,726)
Non-domestic rates re-distribution	(43,758)	0	0	0	0	(43,758)
Non-ringfenced government grants	(20,024)	(75)	0	0	0	(20,099)
Recognised capital grants and contributions	0	(21,707)	(114)	0	0	(21,821)
Taxation and Non-Specific Grant Income	(156,508)	(21,782)	(114)	0	0	(178,404)
(Surplus) or Deficit on Provision of Services	143,619	(14,560)	(6,687)	775	269	123,416
Surplus or deficit on revaluation of non current assets	(69,367)	0	6,572	0	0	(62,795)
All other gains/(losses)	49,806	0	0	0	0	49,806
Other Comprehensive Income and Expenditure	(19,561)	0	6,572	0	0	(12,989)
Total Comprehensive Income and Expenditure	124,058	(14,560)	(115)	775	269	110,427

Further details on each adjustment that has been made is given below:

i) Grants

Under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), grants and contributions for capital schemes are recognised as income when they become receivable (when there are no specific conditions about how they must be spent.) Previously, grants were held in the Government Grants Deferred account and recognised as income over the life of the assets which they were used to fund.

As a result, the balance on the Government Grants Deferred Account as at 31 March 2009 has been transferred to the Capital Adjustment Account. Also, the Capital Contributions Deferred Account, which held grants and contributions that had not yet been applied, was cleared and those grants with conditions have been transferred to the Capital Grants Receipts in Advance Account in the Balance Sheet. Those grants without conditions have been recognised as income in the CI&ES (recognised capital grants and contributions line) and then moved under statutory provisions into the Capital Grants Unapplied account (via the Movement in Reserves Statement).

Revenue grants (without specific conditions on how they must be spent) are also recognised as income when they become receivable. Previously, grants that had not been spent by the 31 March were kept in the Balance Sheet as Receipts in Advance. As a result of the required change in accounting policy, grants without conditions have been recognised as income in the CI&ES (in Cost of Services) and then transferred into an earmarked reserve in the Balance Sheet (via the Movement in Reserves Statement).

ii) Capital changes

Under the Code, the definition of what can be classified as part of the Balance Sheet categories of Investment Properties and Land held Pending Development has changed significantly and as a result, these categories of assets have been reviewed and re-classified to the appropriate line in the Balance Sheet.

As part of the Code changes, the disclosure requirements for Investment Properties and the associated costs and income have also changed and these amounts have been moved out of Cost of Services in the CI&ES and are separately disclosed as part of Other Operating Income and Expenditure.

Revaluations of Investment Properties have also changed under the Code, as these can no longer be taken to the Revaluation Reserve. As a result of this change, gains and losses that previously went to the Revaluation Reserve have been taken out of the Revaluation Reserve and shown in the CI&ES (under changes in fair value of investment properties). These have then been reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

iii)a) Employee benefits

Council employees build up an entitlement to paid holidays as they work. In addition to holidays, some council employees work within a flexi-time scheme, which allows employees to have time off in lieu of additional hours they have worked. Under the Code, holiday pay and flexi leave balances are required to be shown in the CI&ES as the benefits are earned, rather than as they are taken. As a result, the Council is required to accrue for any annual leave or flexi-time earned but not taken as at 31 March each year. Previously this accrual was not required, so has resulted in an additional charge to the CI&ES (to the relevant service line).

The Government has issued regulations that mean councils are only required to fund holiday pay and similar benefits when they are used, rather than when benefits are earned. As a result of this, amounts are transferred to the Accumulated Absences Account until the benefits are used.

iii)b) Provisions

Under the Code, there is a new requirement to split out provisions into the element that is expected to be required in the next 12 months (provision in the Current Liabilities section). Previously, the full amount of all provisions were shown in the Long Term Liabilities section, so all provisions have been split between these two lines in the Balance sheet.

iv)a) Private Finance Initiative (PFI)

Under the Code, interest payments in relation to PFI and similar contracts are now required to be shown separately from other interest payments, so these amounts are now shown separately and the interest payable line has now been renamed to interest payable on debt.

As part of the Code changes, the requirements around PFI and similar contracts have changed which has resulted in a change in accounting for the Council's Strategic Environment Contract with Enterprise. As a result, the vehicles and plant which are used on the contract are now included as assets on our balance sheet, with a corresponding liability for these amounts to be paid to Enterprise over the life of the contract.

Costs for vehicles and plant that were previously shown within Cost of Services in the CI&ES (as part of Cultural, environmental, regulatory and planning services) have been re-classified as interest payments and amounts to reduce the liability on the balance sheet. In addition to this, depreciation charges have been made for the assets on the balance sheet and a contribution towards the repayment of debt has been made in the Movement in Reserves Statement.

iv)b) Leasing

Under the Code, the definition of what is accounted for as a finance lease has changed. Finance leases are recognised on the balance sheet as assets rather than being shown as operating lease payments in the CI&ES. As a result of this definition change, leases held by schools have been re-classified as finance leases. The majority of these are under our de-minimis limit for capital spending (see Accounting Policy 19 on Property, Plant and Equipment for further details), but four school leases are over this limit and have therefore been recognised on our balance sheet as assets. These four leases are all for photocopying equipment and are therefore shown within Vehicles, Plant and Equipment on the Balance Sheet, along with a corresponding liability to pay for this over the life of the lease (within Other Long Term Liabilities).

These changes have also been reflected in the CI&ES, with payments previously being shown within Education and children's services being reclassified as interest payments on finance leases and a contribution towards the repayment of debt, which is shown in the Movement in Reserves Statement.

v) Non-IFRS changes

In addition to the IFRS changes explained above, the Council's shares in one of our joint venture companies (Blythe Valley Innovation Centre) were overstated. As a result, the opening balance for 2008/09 has been re-stated to show the correct value and this has been adjusted for through the Capital Adjustment Account.

2. Accounting Standards that have been issued but not yet adopted

Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

The 2011/12 CIPFA Code of Practice on Local Authority Accounting requires the adoption of Financial Reporting Standard 30 Heritage Assets. Although adoption is not required for the 2010/11 Accounting Statement, the future change of accounting policy requires any material changes to be disclosed by a note to the 2010/11 Accounting Statement.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Officers have currently identified two assets that would be classed as heritage assets under the new guidance. Owing to the historic cost of the assets not being available, and assumed to be below the de minimis level for inclusion on the balance sheet, the two assets are shown in the asset register as memorandum items at nil value.

The Code requires that these heritage assets, namely civic regalia and statue, are measured at valuation in the 2011/12 financial statements. The authority holds information on the value of these assets for insurance purposes verified by Zurich Municipal.

The market value of the assets at 31 March 2011 is £950k. As these assets have not yet been recognised in the balance sheet this will require a corresponding increase in the Revaluation Reserve of £950k, i.e. a revaluation gain.

There will be no depreciation charged on the heritage assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation on the assets. There will therefore be no change to the depreciation charged in the Accounting Statement in relation to the Council's heritage assets.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Disclosure Note 53, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Accounting Statement are as follows:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The Council is deemed to control the services provided under the Strategic Environment contract, the Building Schools for the Future (BSF) contracts and the Leisure contract. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the associated assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet;
- The Council has interests and relationships in other entities which are included in the Council's group accounts on page 99. Solihull Community Housing is consolidated as a wholly owned subsidiary of the Council, and Coventry & Solihull Waste Disposal Company Ltd and Blythe Valley Innovation Centre Ltd are included as joint ventures. The accounting policies for Interests in Companies and Other Entities have been applied.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Council has made four separate provisions in the Accounting Statement as follows that are deemed to be uncertain: 1. Insurance provision of £2.267m based on the number of self insurance risk claims that are not covered by the Council's external insurance policies; 2. Hospital Education provision of £120k based on the number of Solihull children in hospital receiving education from another Council; 3. Interagency Placements provision of £11k based on fees due to outside agencies for successful child adoption places; 4. Lyndon House provision of £193k based on the social care element of children with learning disabilities. Further detail on the provisions is given in Disclosure Note 28.	A change over the forthcoming year in the calculation basis of each provision would have the effect of increasing or decreasing the contribution to or from each of the provisions.
Contingent Asset	The Council has a Contingent Asset in the Accounting Statement for the financial interest held in the land at Blythe Valley. The Council has a right to receive a share of future land value receipts, yet there is uncertainty around the value and timing of these receipts. Further detail on the Contingent Assets is given in Disclosure Note 49.	The future receipts could be affected by a change in the Blythe Valley land value.
Contingent Liabilities	The Council has four Contingent Liabilities in the Accounting Statement, these are as follows: 1. Municipal Mutual Insurance (MMI) 2. Grant Funded Projects 3. Mental Health Care 4. Music Service There is uncertainty around these Contingent Liabilities as they are based on future events. Further detail on the Contingent Liabilities is given in Disclosure Note 50.	The effects on the Contingent Liabilities in the Accounting Statement can vary due to uncertain future events.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £29.892m as a result of estimates being corrected as a result of experience and decreased by £31.353m attributable to updating of the assumptions.
Arrears	At 31 March 2011, the Council had a balance of Accounts Receivable debt of £6.824m. A review of significant balances suggested that a bad debt provision of 19% (£1.298m) was appropriate. However, in the current economic climate this allowance will need to be kept under review.	If collection rates were to deteriorate, an additional amount of bad debt provision would be required.

5. Material Items of Income and Expense

Academy Schools

During 2010/11 four schools became Academy schools. This change resulted in the Council no longer needing to hold the relating assets, and therefore the following downward revaluations:

	£000
Arden Academy	20,716
Tudor Grange Academy	17,196
John Henry Newman Catholic College (previously Archbishop Grimshaw)	132
St Patrick's Church of England Academy	37
	38,081

The revaluations have been charged against the Education & children's services line in the CI&ES.

HRA Housing Stock

During 2010/11 the Council's housing stock has been revalued downwards by £146.170m. The main factor contributing to this decrease in valuation is a drop in the regional adjustment factor which must be applied to the valuation to arrive at a valuation for Social Housing. For the West Midlands Area the factor to be applied fell from 49% in 2009/10 to 34% in 2010/11.

Non Distributed Costs

The Non-distributed cost variance has arisen as a result of the change in staff past service costs following the final actuarial pension valuation at 31 March 2010 which has impacted in 2010/11.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2009/10 Comparative Figures	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the CI&ES:</u>						
Charges for depreciation and impairment of non-current assets	(34,793)	(15,893)	0	0	0	50,686
Revaluation losses on Property, Plant and Equipment	(68,699)	(55)	0	0	0	68,754
Movements in the market value of Investment Property	4,454	609	0	0	0	(5,063)
Amortisation of intangible assets	(1,202)	(107)	0	0	0	1,309
Capital grants and contributions applied	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(29,063)		0	0	0	29,063
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(25,668)	(1,100)	0	0	0	26,768
<u>Insertion of items not debited or credited to the CI&ES:</u>						
Statutory provision for the repayment of debt	8,167	0	0	0	0	(8,167)
Capital expenditure charged to the General Fund and HRA balances	2,872	119	0	0	0	(2,991)
HRA loans fund principal contribution for the year	0	763	0	0	0	(763)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&ES	37,107	361	0	0	(37,468)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	34,895	(34,895)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to repay debt	0	0	(32)	0	0	32
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	308	2,014	(2,322)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,487	0	0	(5,487)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	28	0	0	(28)
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(752)	0	752	0	0	0
Balance c/fwd	(107,269)	(13,289)	3,913	0	(2,573)	119,218

Note 6 continued

2009/10 Comparative Figures	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	
Balance b/fwd	(107,269)	(13,289)	3,913	0	(2,573)	119,218
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	7,305	0	(7,305)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,900	0	(6,900)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	116	(49)	0	0	0	(67)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (See Note 48)	(17,984)	0	0	0	0	17,984
Employers' contributions payable to scheme	11,468	0	0	0	0	(11,468)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	428	0	0	0	0	(428)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(775)	0	0	0	0	775
Total Adjustments	(114,016)	(6,033)	3,913	(405)	(2,573)	119,114

Note 6 continued

2010/11	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the CI&ES:</u>						
Charges for depreciation and impairment of non-current assets	(28,085)	(16,013)	0	0	0	44,098
Revaluation losses on Property, Plant and Equipment	(31,226)	(141,703)	0	0	0	172,929
Movements in the market value of Investment Property	(753)	(96)	0	0	0	849
Amortisation of intangible assets	(1,572)	(150)	0	0	0	1,722
Capital grants and contributions applied	30,032	259	0	0	0	(30,291)
Revenue expenditure funded from capital under statute	(15,476)	0	0	0	0	15,476
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(528)	(642)	0	0	0	1,170
<u>Insertion of items not debited or credited to the CI&ES:</u>						
Statutory provision for the repayment of debt	8,915	0	0	0	0	(8,915)
Capital expenditure charged to the General Fund and HRA balances	1,181	1,763	0	0	0	(2,944)
HRA loans fund principal contribution for the year	0	703	0	0	0	(703)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&ES	3,186	101	0	0	(3,287)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,419	(1,419)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to repay debt	0	0	(84)	0	0	84
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	1,137	1,458	(2,595)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,412	0	0	(1,412)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	23	0	0	(23)
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing capital receipts pool	(478)	0	478	0	0	0
Balance c/fwd	(33,667)	(154,320)	(766)	0	(1,868)	190,621

Note 6 continued

2010/11	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Working Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	
Balance b/fwd	(33,667)	(154,320)	(766)	0	(1,868)	190,621
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	7,263	0	(7,263)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,126	0	(7,126)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	456	(73)	0	0	0	(383)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (See Note 48)	11,122	0	0	0	0	(11,122)
Employers' contributions payable to scheme	12,087	0	0	0	0	(12,087)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	10	0	0	0	0	(10)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	450	0	0	0	0	(450)
Total Adjustments	(9,542)	(147,130)	(766)	(137)	(1,868)	159,443

Note 6 continued

Usable Reserves

The purpose of each usable reserve is detailed below:

General Fund Working Balance

These funds are available to meet the future running costs for the Council for non-housing services.

Housing Revenue Account

This reserve holds funds that are available to meet future running costs relating to the council's housing stock.

Capital Receipts Reserve

This reserve holds all of the council's receipts generated from the disposal of non-current assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt. (A fixed proportion of Housing Capital Receipts must be paid over to the Government - as detailed in the Accounting policy on disposals).

Major Repairs Reserve

This reserve is to meet the capital investment requirements of the Council's housing programme.

Capital Grants Unapplied

This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

General Fund Earmarked Balance

These are resources set aside for specific budgetary purposes.

Specific Revenue Reserves

These are resources that have been set aside for specific future running costs. Further details of the significant reserves within this heading are shown in Disclosure Note 7.

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2009/10 and 2010/11.

General Fund Specific Revenue Reserves	Balance at 01 April 2009	Transfers out	Transfers in	Balance at 31 March 2010	Transfers out	Transfers in	Balance at 31 March 2011
	£000	2009/10 £000	2009/10 £000	£000	2010/11 £000	2010/11 £000	£000
Schools *	(6,732)	2,260	(2,455)	(6,927)	2,662	(3,659)	(7,924)
Insurance	(5,371)	945	(864)	(5,290)	2,474	(807)	(3,623)
Future Capital Spending	(2,727)	130	(1,312)	(3,909)	14	(1,199)	(5,094)
Grants unapplied with no conditions	(4,291)	2,076	(1,073)	(3,288)	1,361	(2,762)	(4,689)
Budget Strategy	(371)	100	0	(271)	0	(3,502)	(3,773)
Severance	(2,789)	1,383	(1,901)	(3,307)	2,050	(1,373)	(2,630)
Treasury Management	(3,377)	0	(19)	(3,396)	1,220	(57)	(2,233)
Schools Regeneration Fund	(264)	252	(421)	(433)	245	(1,119)	(1,307)
Standards Fund	(296)	265	(539)	(570)	570	(728)	(728)
Bereavement Services	(876)	280	(60)	(656)	65	(60)	(651)
Waste Disposal Surplus	(907)	907	(544)	(544)	544	(669)	(669)
Planning Delivery Grant	(462)	0	0	(462)	0	(34)	(496)
Property Services - Landlord	(108)	108	(223)	(223)	231	(436)	(428)
Executive Group Local Strategic Partnership	0	0	(150)	(150)	0	(275)	(425)
Winter Maintenance	(357)	0	0	(357)	0	0	(357)
Landfill Allowances Trading	0	0	0	0	0	(353)	(353)
Economic Development	(136)	56	(217)	(297)	0	(1)	(298)
Shaping Solihull	(1,172)	562	0	(610)	382	(59)	(287)
Recycling Income Risks	(296)	100	(272)	(468)	254	(54)	(268)
Schools Catering	0	0	0	0	0	(267)	(267)
Building Control	(257)	0	(55)	(312)	78	(26)	(260)
Sub Total	(30,789)	9,424	(10,105)	(31,470)	12,150	(17,440)	(36,760)
Other **	(7,997)	5,316	(2,767)	(5,448)	4,340	(2,236)	(3,344)
Total	(38,786)	14,740	(12,872)	(36,918)	16,490	(19,676)	(40,104)

* Reserves held by Schools under the delegated local management scheme are legally committed to be spent on the schools themselves and are not available to the Council for general use.

** Other reserves include Regeneration Initiatives £256k, Unitary Development Plan £249k, Small Business Units £219k, Recycling Projects £208k.

8. Movements on Balances for Property, Plant and Equipment in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Certified Valuation at 31 March 2010	437,114	533,500	43,862	94,033	8,356	12,514	1,129,379	59,827
Accumulated Depreciation and Impairment	0	(18,105)	(16,530)	(19,202)	0	0	(53,837)	(2,572)
Net Book Value of Assets as at 31 March 2010	437,114	515,395	27,332	74,831	8,356	12,514	1,075,542	57,255
Additions	12,758	9,771	3,015	10,179	591	3,390	39,704	0
Donations & Leases	0	0	1,175	0	0	0	1,175	0
Revaluations recognised in the Revaluation Reserve	(4,548)	(11,285)	0	0	0	0	(15,833)	172
Revaluations recognised in the Provision of Services	(141,622)	(31,306)	0	0	0	0	(172,928)	(179)
Disposals	(234)	(10)	(255)	0	(21)	0	(520)	0
Reclassifications	117	764	982	5,202	12	(8,557)	(1,480)	0
Depreciation on cost	(13,243)	(10,440)	(8,968)	(2,352)	0	0	(35,003)	(2,925)
Depreciation written out to revaluation reserve	0	(3,728)	0	0	0	0	(3,728)	0
Impairment losses recognised in the revaluation reserve	0	(1,672)	0	0	0	0	(1,672)	0
Impairment losses recognised in the Provision of Services	(2,405)	(2,962)	0	0	0	0	(5,367)	0
Net Book Value of Assets as at 31 March 2011	287,937	464,527	23,281	87,860	8,938	7,347	879,890	54,323

Comparative Movements in 2009/10

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Certified Valuation at 1 April 2009	431,489	571,556	38,067	99,746	7,445	10,579	1,158,882	60,685
Accumulated Depreciation and Impairment	0	(37,065)	(11,783)	(18,764)	0	0	(67,612)	(6,734)
Net Book Value of Assets as at 1 April 2009	431,489	534,491	26,284	80,982	7,445	10,579	1,091,270	53,951
Additions	16,675	38,906	6,864	4,820	60	9,584	76,909	29,585
Donations & Leases	0	0	645	0	0	0	645	0
Revaluations recognised in the Revaluation Reserve	4,548	58,151	0	0	0	0	62,699	0
Revaluations recognised in the Provision of Services	0	(68,754)	0	0	0	0	(68,754)	0
Disposals	(480)	(25,529)	0	(105)	0	0	(26,114)	(23,709)
Reclassifications	350	3,320	1,832	(8,635)	851	(7,649)	(9,931)	0
Depreciation on cost	(12,698)	(11,276)	(8,293)	(2,231)	0	0	(34,498)	(2,572)
Depreciation written out to revaluation reserve	0	(4,614)	0	0	0	0	(4,614)	0
reserve	0	(496)	0	0	0	0	(496)	0
Impairment losses recognised in the Provision of Services	(2,770)	(8,804)	0	0	0	0	(11,574)	0
Net Book Value of Assets as at 31 March 2010	437,114	515,395	27,332	74,831	8,356	12,514	1,075,542	57,255

9. Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50-70 years
- Other Land and Buildings - 25–70 years
- Vehicles, Plant, Furniture & Equipment – 3 - 10 years
- Infrastructure – 40 years

10. Capital Commitments

As at 31 March 2011, the Council was committed to capital contracts which will cost approximately £7.600m (£25.700m in 2009/10). Major contracts include the following schemes:

	2009/10 £000	2010/11 £000
HRA Decent Homes	13,360	3,414
HRA Adaptations	0	440
Mill Lodge Primary School Extension	0	1,402
Valley Infants School Extension	0	1,171
North Arran Way High Street	500	464
St Anne's RC Primary School extended services building	3,160	190
Masons Way Housing Development	0	185
Cheswick Green Primary School extension design services	0	150
Our Lady of the Wayside RC Primary School extension design services	0	150
Other contracts	8,680	34
Total	25,700	7,600

11. Revaluations

The freehold and leasehold properties which comprise the Council's portfolio were originally valued as at 31 March 1994, and are re-valued on a rolling programme using the under-mentioned bases. This has been done in accordance with the practice statement in the Appraisal of Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). The valuer is an internal RICS-qualified surveyor, all valuations were carried out internally. Not all the properties were inspected as this was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Since then all fixed assets have been re-valued over a five year rolling programme. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly, and as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value).

Properties regarded as operational were valued on the basis of Fair Value and operational properties of a specialist nature were valued on the basis of Depreciated Replacement Cost (DRC). Council dwellings are on the basis of fair value, determined using the basis of existing use value for social housing. Properties regarded by the Council as non-operational have been valued on the basis of open market value. Should any circumstances arise which would result in a material change to a property's valuation, the Council would prioritise revaluing that asset.

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';
- Fair value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;
- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many causes the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for Fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

The following statement shows the progress of the Council's rolling programme for the revaluation of Non-Current Assets:

2010/11	Valued at Historical	Valued at Current Value				Total
	Cost £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	£000
Intangible Assets	2,770	0	0	0	0	2,770
Council Dwellings	0	0	0	0	287,937	287,937
Other Land and Buildings	510	46,854	105,956	262,586	48,621	464,527
Vehicles, Plant and Equipment	23,281	0	0	0	0	23,281
Infrastructure	87,860	0	0	0	0	87,860
Community Assets	8,924	0	14	0	0	8,938
Assets Under Construction	7,347	0	0	0	0	7,347
Investment Properties	0	0	0	0	82,337	82,337
TOTAL	130,692	46,854	105,970	262,586	418,895	964,997

Comparative figures for 2009/10	Valued at Historical	Valued at Current Value			Total
	Cost £000	2007/08 £000	2008/09 £000	2009/10 £000	£000
Intangible Assets	4,130	0	0	0	4,130
Council Dwellings	0	0	0	437,114	437,114
Other Land and Buildings	1,797	52,224	119,672	341,702	515,395
Vehicles, Plant and Equipment	27,332	0	0	0	27,332
Infrastructure	74,831	0	0	0	74,831
Community Assets	8,342	0	14	0	8,356
Assets Under Construction	12,514	0	0	0	12,514
Investment Property	1,368	0	72,581	8,333	82,282
TOTAL	130,314	52,224	192,267	787,149	1,161,954

12. Non Current Assets Owned by the Council:

	31 March 2010	31 March 2011
Car Parks - Multi-Storey	5	5
Car Parks - Surface	23	23
Cemeteries	3	3
Council Dwellings	10,423	10,348
Council Offices	12	12
Crematoria	2	2
Depots	3	3
Highways (Kilometres) *1	841	844
Homeless Hostels *2	1	0
Land - Strategic Holdings (hectares)	372	372
Library - Central (incl Theatre Complex)	1	1
Libraries - Branches *3	12	11
Parks and Open Spaces (hectares) *4	681	683
Retail Properties	48	48
Schools - Primary *5	43	46
Schools - Secondary *6	8	6
Schools - Special	5	5
Social Care Establishments	14	14
Teachers Centre	1	1

* During 2010/11 the following changes have taken place:

1. 3km of highway added for newly adopted estate roads.
2. Homeless hostel removed as now SCH flats.
3. The former Chelmsley Wood library removed as demolished.
4. 2 hectares of public open space added.
5. Alcott Hall merged with Coleshill Heath September 2010 and Bennetts Well merged with Hatchford September 2010 and renamed Fordbridge.
One voluntary-controlled and Four voluntary-aided schools added following a review of ownership.
St Patricks CE Primary became an academy in 2010/11, but is not included in these figures as it is a voluntary-aided school.
6. Arden and Tudor Grange became academies in October 2010. John Henry Newman College also became an academy in 2010/11, but is also not included in these figures as it is a voluntary-aided school.

13. Investment Property

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property but does fund repairs and maintenance with a view to maximising income and proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year:

2009/10	2010/11
£000	£000
77,049 Balance at start of the year	82,282
0 Additions	44
(31) Disposals	(252)
5,063 Net gains/(losses) from fair value adjustments	(849)
0 Reclassifications	1,112
204 Transfers to/ (from) Property, Plant and Equipment	0
(3) Other Changes	0
82,282 Balance at end of the year	82,337

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Council currently has no internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

3 Years	All intangible assets except those listed with a life of 5 years.
5 Years	Oracle Financials, Shaping Solihull
10 Years	None

The movement on intangible asset balances during the year is as follows:

2009/10	2010/11
Total Software Licences	Total Software Licences
£000	£000
4,830 Certified Valuation at 31 March	6,179
(1,519) Accumulated Amortisation and Impairment	(2,049)
3,311 Net Book Value of Assets at start of the year	4,130
1,394 Purchases	362
0 Disposals	0
734 Reclassifications	0
(1,309) Amortisation	(1,722)
0 Impairments	0
4,130 Net Book Value of Assets at end of the year	2,770

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £721k (2009/10: £659k) was charged to Education & Children's services and £795k (2009/10: £507k) was charged to ICT and absorbed as an overhead across all the service headings in the Net Cost of Services. £206k (2009/10: £143k) was charged directly to other services.

15. Financial Instruments - Summary

The following categories of financial instruments are carried in the Balance Sheet:-

	Long-Term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Investments				
Loans	2,007	734	3,553	1,696
Available-for-sale financial assets:				
- No active market: valuation	13,442	13,442	0	0
- No active market: equity instruments	5,153	5,153	0	0
Financial assets at fair value through profit and loss	15,000	15,000	174	143
Total investments	35,602	34,329	3,727	1,839
Receivables				
Debtors	1,408	2,186	29,969	27,094
Payment in advance	0	0	5,890	6,003
Total debtors	1,408	2,186	35,859	33,097
Borrowings				
Financial liabilities at amortised cost	(154,080)	(153,746)	(15,438)	(13,862)
Total borrowings	(154,080)	(153,746)	(15,438)	(13,862)
Other Long Term Liabilities				
PFI Liabilities	(66,485)	(64,694)	0	0
Finance Lease Liabilities	(107)	(266)	0	0
Total other long term liabilities	(66,592)	(64,960)	0	0
Payables				
Creditors	0	(286)	(40,368)	(38,126)
Receipts in advance	0	0	(18,489)	(19,116)
Total creditors	0	(286)	(58,857)	(57,242)

16. Available-for-sale financial assets: No active market (Equity Instruments)

	31 March 2010 Restated* £000	31 March 2011 £000
Coventry & Solihull Waste Disposal Company Ltd - Preference Shares	4,975	4,975
Blythe Valley Innovation Centre Ltd - Ordinary Shares	178	178
Total	5,153	5,153

* The Available-for-sale financial assets: No active market (Equity Instruments) figures at 31 March 2010 have been restated:

- i) to exclude Ordinary and Preference shares relating to Birmingham Airport Holdings Ltd. These shares have been included as Available-for-sale financial assets: No active market (Valuation) (Note 18).
- ii) the change in valuation of the shares in Blythe Valley (Note 1 - Non-IFRS changes (v))

Coventry & Solihull Waste Disposal Company Ltd

In accordance with directives received from the Government exercising powers under the Environmental Protection Act 1990, Solihull Council, in conjunction with Coventry City Council, set up a wholly owned company for the disposal of waste arising from the two Authorities. The Company was vested on 31 March 1994 with a total share capital of £14.925m made up of 99 £1 Ordinary Shares and 14,925,000 £1 Preference Shares. Solihull has one third ownership of all shares issued (£4.975m) with Coventry owning the remaining two thirds, and the Councils benefit from any surpluses made as well as contributions to any liabilities or losses the company cannot meet. These shares are not quoted on any Stock Exchange.

There is no available market price in the company, as it has been owned continuously by the two Councils since 1975 and a market valuation has not been required. Previous valuations, including ones based on the earnings multiple, net assets and discounted cash-flow methodologies, have produced large variations. Therefore, this has not given us a reliable basis on which to value the company. As a result, the Council's shares have been valued at historic cost within our accounts.

A copy of the Company's accounts is available from:

The Company Secretary
Coventry & Solihull Waste Disposal Company Ltd
Bar Road
Coventry
CV3 4AN

Blythe Valley Innovation Centre Ltd

On 31 March 2000 the Council acquired Ordinary 'A' shares in Blythe Valley Innovation Centre Ltd in exchange for waiving an option to acquire land at the Blythe Valley Business Park. These shares represent 25% of total shares issued, but 50% of the voting rights. The Ordinary 'B' shares (75% of total shares issued) are owned by Blythe Valley JV Sarl, a joint venture between Doughty Hanson & Co and Liberty Property Trust.

The Innovation Centre, which was completed in 2001, is managed by University of Warwick Science Park Ltd and the principal activity is to provide medium term accommodation (up to three years) to organisations setting up innovative projects. The Company aims to make a profit through the charging of commercial rent.

The Council is not legally committed to meet any company liabilities or losses, and the shares are not quoted on any Stock Exchange. The Council's shareholding is included in the Balance Sheet at original cost.

A copy of the Company's accounts is available from:

The Company Secretary
Blythe Valley Innovation Centre Ltd
Cornwall House
Blythe Valley Park
Solihull
B90 8AF

17. Gains and Losses recognised in the Comprehensive Income & Expenditure Statement

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments for 2010/11 and 2009/10 are made up as follows (the figures here do not directly relate to other areas of the Accounting Statement because they are within figures shown in the CI&ES):

	2010/11				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at fair value through CI&ES £000	
Interest expense	13,819	0	0	0	13,819
Reversal of previous impairment losses	0	(69)	0	0	(69)
Total expense in Surplus or Deficit on the Provision of Services	13,819	(69)	0	0	13,750
Total interest income in Surplus or Deficit on the Provision for Services	0	(387)	(124)	(172)	(683)
Surplus/Deficit arising on revaluation of financial assets in Other CI&ES	0	0	0	0	0
Net gain/(loss) for the year on Financial Instruments	13,819	(456)	(124)	(172)	13,067

	2009/10				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at fair value through CI&ES £000	
Interest expense	13,139	0	0	0	13,139
Reversal of previous impairment losses	0	(7)	0	0	(7)
Total expense in Surplus or Deficit on the Provision of Services	13,139	(7)	0	0	13,132
Total interest income in Surplus or Deficit on the Provision for Services	0	(964)	(120)	(203)	(1,287)
(Surplus)/Deficit arising on revaluation of financial assets in Other CI&ES	0	0	(8,289)	0	(8,289)
Net gain/(loss) for the year on Financial Instruments	13,139	(971)	(8,409)	(203)	3,556

18. Fair values of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the PWLB premature repayment rates as at each Balance Sheet date, and include accrued interest;
- The fair values for non-PWLB debt have also been calculated using the same procedures and estimated market rates and this provides a sound approximation for fair value for these instruments;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of the financial liabilities calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB	(118,200)	(129,860)	(118,200)	(133,379)
Dudley MBC debt	(10,534)	(12,184)	(10,203)	(11,313)
Other long term loans	(25,346)	(26,133)	(25,343)	(28,403)
Total long term borrowing	(154,080)	(168,177)	(153,746)	(173,095)
PWLB	(5,281)	(4,133)	(1,273)	(1,273)
Dudley MBC debt	(301)	(349)	(331)	(367)
Other short term loans	(9,856)	(9,600)	(12,258)	(12,258)
Total short term borrowing	(15,438)	(14,082)	(13,862)	(13,898)
PFI Liabilities	(66,485)	(66,485)	(64,694)	(64,694)
Finance Lease Liabilities	(107)	(107)	(266)	(266)
Long term creditors	0	0	(286)	(286)
Total long term liabilities	(66,592)	(66,592)	(65,246)	(65,246)
Short term creditors	(40,368)	(40,368)	(38,126)	(38,126)
Receipts in advance	(18,489)	(18,489)	(19,116)	(19,116)
Total short term liabilities	(58,857)	(58,857)	(57,242)	(57,242)
Total financial liabilities	(294,967)	(307,708)	(290,096)	(309,481)

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The fair values of the financial assets calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Money market loans (greater than 1 year)	1,984	1,984	723	723
Other investments	23	23	11	11
Externally managed funds	15,000	15,000	15,000	15,000
Available-for-sale financial assets:				
- No active market: valuation	13,442	13,442	13,442	13,442
- No active market: equity instruments	5,153	5,153	5,153	5,153
Long term investments	35,602	35,602	34,329	34,329
Money market loans (less than 1 year)	3,452	3,171	1,537	1,537
Insurance Liability Fund	275	275	302	302
Short term investments	3,727	3,446	1,839	1,839
Long term debtors	1,401	1,401	2,180	2,180
Long term debtors - mortgages	7	7	6	6
Total long term debtors	1,408	1,408	2,186	2,186
Short term debtors	29,969	29,969	27,094	27,094
Payments in advance	5,890	5,890	6,003	6,003
Total short term debtors	35,859	35,859	33,097	33,097
Total financial assets	76,596	76,315	71,451	71,451

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on independent external valuations.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

19. Nature and extent of risks arising from financial instruments

a. Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

b. Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported bi-annually to Members.

These policies are implemented by a central treasury management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

c. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with the Fitch, Moody's and Standard & Poors Rating Services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

An aged debt analysis of trade debtors is as follows:

	31 March 2010	31 March 2011
	£000	£000
Less than three months	3,745	4,828
Three to six months	757	317
Six months to one year	987*	183
More than one year	452	1496*
Total trade debtors **	5,941	6,824

* This includes the sums due from North Solihull Partnership for which a repayment plan is in place.

** Of the total Short Term Debtors balance on our Balance Sheet, £6.824m (2009/10: £5.941m) is the trade debt element. As trade debtors are held on our Accounts Receivable system they can be analysed in detail by age as shown above.

d. Liquidity Risk

The Council manages its liquidity position through the risk management procedures detailed in Note 19b on page 39 (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration, are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the treasury management team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the Council's liabilities at original cost is as follows:

	31 March 2010	31 March 2011
	£000	£000
Less than 1 year	13,901	12,332
Between 1 and 2 years	332	2,865
Between 2 and 5 years	6,707	4,328
Between 5 and 10 years	2,963	3,260
Between 10 and 20 years	14,032	13,250
Between 20 and 30 years	8,000	8,000
Between 30 and 40 years	35,700	35,700
Between 40 and 50 years	81,000	81,000
More than 50 years	5,000	5,000
	167,635	165,735

All trade and other payables are due to be paid in less than one year.

The figures included in the above table are based on the principal amounts borrowed and will differ from the total borrowing in the Balance Sheet because of the requirement to include accrued interest within Current Liabilities in the Balance Sheet.

e. Market Risk (Interest Rate Risk)

The Council is exposed to interest rate movements on its borrowings and investments. Of the £166m debt held as at 31.3.11, £43m was at variable interest rates and £123m was at fixed interest rates. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the CI&ES would rise;
- borrowings at fixed rates – the fair value of the borrowing liability would fall;
- investments at variable rates – the interest income credited to the CI&ES would rise;
- investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other CI&ES.

However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or deficit on the Provision of services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in the Other CI&ES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury management team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by the Government grant receivable on financing costs.

If all interest rates had been 1% higher or lower during 2010/11 (with all other variables held constant) the financial effect would be:

	Increase of 1% in interest rates 2009/10 £000	Decrease of 1% in interest rates 2009/10 £000	Increase of 1% in interest rates 2010/11 £000	Decrease of 1% in interest rates 2010/11 £000
Increase/(decrease) in interest payable on variable rate borrowings	217	(217)	216	(216)
(Increase)/decrease in interest receivable on variable rate investments	(570)	570	(400)	400
(Increase)/decrease in Government grant receivable for financing costs	(95)	95	(92)	92
Impact on (surplus) or deficit on Provision of Services in CI&ES	(448)	448	(276)	276
Share of overall impact on the HRA CI&ES	54	(54)	35	(35)

These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

f. Price Risk

The shares held in Birmingham Airport Holdings Ltd are all classified as 'available-for-sale', meaning that all movements in price will impact on gains and losses recognised in Other CI&ES.

The Council does not invest in equity shares but does have shareholdings and other interests to the value of £5.153m in a number of related parties. Whilst these holdings are generally liquid, the Council is exposed to losses arising from movements in the prices of the shares.

g. Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

h. Icelandic Bank Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. The Council had £3m deposited across three of these institutions, with varying maturity dates and interest rates.

The Local Government Association is co-ordinating the process for reimbursement of sums invested and interest due from the Icelandic banks on behalf of local councils. The Council's proportion of legal fees incurred in 2010/11 in pursuing the reimbursement was £10k (2009/10 £6k).

Investments included in assets figure in the Balance Sheet include the following investments that have been impaired.

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount in Balance Sheet £000	Total Impairment £000
Glitnir	07/12/2007	05/12/2008	1,000	6.29%	1,038	174
Landsbanki Bank	31/03/2007	31/03/2009	1,000	5.90%	799	358
Kaupthing Singer Friedlander Bank	02/04/2008	31/03/2009	1,000	6.40%	279	281
Total			3,000		2,116	813

The total impairment of £813k has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. The impairment has reduced from £881k as at 31 March 2010, therefore a reversal of part of the original impairment of £69k has been credited to the CI&ES in 2010/11.

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate, and repayments received to date.

A £3.000m reserve created from the Treasury Management surplus in 2008/09 protects against any potential loss of the principal sums invested. Following repayments of principle sums, £450k of the reserve has been released towards the Council's budget strategy. The expiry of the regulations requires the Council to charge the full balance on the Financial Instruments Adjustment Account (FIAA) to the General Fund (via the MIRS) in 2010/11. This totals £336k (as shown in the table below) and this amount has been charged against this reserve (via the MIRS) during 2010/11. It is estimated that in future years interest receipts of £265k will be transferred into the reserve, therefore, reducing the total use of the reserve will be £71k.

Bank	Balance on FIAA at 31 March 2010 £000	Expected Interest during 2010/11 £000	Change in Impairment 2010/11 £000	Net charge to MIRS (funded by Reserve) £000	Balance on FIAA at 31 March 2011 £000
Glitnir	(6)	(65)	33	38	0
Landsbanki Bank	239	(46)	8	(201)	0
Kaupthing Singer Friedlander Bank	302	(19)	(110)	(173)	0
Total	535	(130)	(69)	(336)	0

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing Singer and Friedlander Ltd

The creditor progress report issued by the administrators Ernst and Young, dated 5 May 2011, outlined that the return to creditors was estimated within the range of 78p to 86p in the pound but no timescale was indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose.

The Local Authority Accounting Panel's (LAAP 82 – May 2011) best estimate of the recoverable amount is 82%, being based on the mid point of the range indicated by the administrators.

Repayments of £310k (30%) were received in 2009/10 and £238k (23%) in 2010/11. A further repayment of £52k (5%) was received in May 2011. The repayments are treated as a reduction in the value of the short-term investment on the Balance Sheet. The impairment is based on the assumption that a further 24% will be received by the end of 2012/13, taking total dividends expected to 82%.

In calculating the impairment, the Council has made the following assumptions on the timing of future recoveries.

Date	Repayment
May 2011	5%
July 2012	8%
January 2012	8%
January 2013	8%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Landsbanki).

The current position on estimated future payouts is as shown in the table below and the Council has used these estimates recommended by the CIPFA Guidance to calculate the impairment based on recovering 94.85% of the deposit. Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is subject to appeal.

It is estimated that the earliest date by which any payment could be made is December 2011. It is assumed that, as assets will need to be realised to repay priority creditors, the repayment will be made in instalments between December 2011 and December 2018.

The impairment for 2010/11 has been calculated on the basis of achieving priority status and the following assumptions on the timing of recoveries.

Date	Repayment
December 2011	22.17%
December 2012	8.87%
December 2013	8.87%
December 2014	8.87%
December 2015	8.87%
December 2016	8.87%
December 2017	8.87%
December 2018	19.46%

If local Council deposits do not enjoy priority status the expected recovery is approximately 33%.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued to 22 April 2009.

Glitnir Bank

Glitnir Bank is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir).

Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is subject to appeal.

Based on the latest information, it remains the case that if local authority deposits receive priority status, 100% of claims will be repaid. If local authority deposits do not enjoy priority status the expected recovery is approximately 40%.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, the Council has followed the CIPFA Guidance that the repayment of priority deposits will be made by December 2011 when calculating the impairment.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued to 22 April 2009.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

20. Inventories

	01 April 2009	Movement	31 March 2010	Movement	31 March 2011
	£000	£000	£000	£000	£000
Consumable Stores	106	(21)	85	8	93
Maintenance Materials	52	(28)	24	72	96
Client Services	61	5	66	(15)	51
Catering	113	(21)	92	(12)	80
Total	332	(65)	267	53	320

21. Short Term Debtors (less than one year)

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000 £000
14,076	16,492	Central government bodies	12,541
1,331	1,560	Other local authorities	2,877
0	0	NHS bodies	283
400	469	Public corporations and trading funds	71
15,218	17,830	Other entities and individuals	17,659
(4,972)	(6,382)	Bad Debt Provision	(6,337)
		Other entities and individuals (net of Bad Debt Provision)	11,322
10,246	11,448		
26,053	29,969	Total	27,094

22. Long Term Debtors (greater than one year)

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
8	7	Mortgages	6
325	292	Transferred Debt	259
1,346	1,770	Other Long Term Debtors	2,591
1,679	2,069		2,856
(391)	(661)	Less Provision for Bad Debts	(670)
1,288	1,408	Total	2,186

23. Cash and Cash Equivalents (including Bank Overdraft)

The balance of Cash and Cash Equivalents (including Bank Overdraft) is made up of the following elements:

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
429	92	Cash floats held by the Council	38
(2,627)	(13,107)	Bank Overdraft	(8,704)
(2,198)	(13,015)	Total	(8,666)

24. Payments in Advance

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
5,104	4,386	Coventry & Solihull Waste Disposal Company	4,782
1,007	1,504	Other Payments in Advance	1,221
6,111	5,890	Total	6,003

25. Short Term Creditors (less than one year)

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
(7,969)	(7,352)	Central government bodies	(9,187)
(2,260)	(2,085)	Other local authorities	(3,401)
(125)	(115)	NHS bodies	(4,168)
(1,074)	(991)	Public corporations and trading funds	(1,051)
(32,329)	(29,825)	Other entities and individuals	(20,319)
(43,757)	(40,368)	Total	(38,126)

26. Long Term Creditors (greater than one year)

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
0	0	Energy efficiency creditor	(286)
0	0	Total	(286)

27. Receipts in Advance

01 April 2009	31 March 2010		31 March 2011
£000	£000		£000
(5,303)	(3,865)	Council tax payers	(3,431)
(6,831)	(6,375)	Coventry City Council – Waste Disposal	(7,507)
(2,388)	(3,711)	Government Departments	(5,532)
(3,886)	(4,538)	Other Receipts in Advance	(2,646)
(18,408)	(18,489)	Total	(19,116)

28. Provisions

	Insurance £000	Hospital Education £000	Interagency Placements £000	Lyndon House £000	Total £000
Balance at 1 April 2010	(1,875)	(139)	(9)	0	(2,023)
Additional provisions made in 2010/11	(485)	(120)	(6)	(193)	(804)
Amounts used in 2010/11	93	139	4	0	236
Balance at 31 March 2011	(2,267)	(120)	(11)	(193)	(2,591)
Likely Year of Defrayment					
2010-11	639	120	11	193	963
Total Short Term	639	120	11	193	963
2011-12	650	0	0	0	650
2012-13	400	0	0	0	400
2013-14	300	0	0	0	300
2014-15	180	0	0	0	180
2015-16	98	0	0	0	98
Total Long Term	1,628	0			1,628
Total Defrayment	2,267	120	11	193	2,591

Insurance Provision

The insurance provision has been set aside to bear costs to be incurred in respect of self insurance risks which are not covered by the Council's external insurance policies. Known claims are classed as provisions, those that are potential claims are held as a reserve. An allowance is made for an element of self funding by the Council in respect of policies for Public Liability, Employers' Liability, Officials' Indemnity and Libel and Slander. The insurance provision also includes an 'Asset Funds' provision for the 'deductibles' payable on fire claims and theft of property from the Council's buildings as well as for damage caused to the Council's motor fleet. The Council has determined as part of the self funding strategy that it will not be insured for 'All Risks' in respect of contents of Council properties with the exception of schools, which can make their own arrangements.

Hospital Education Provision

This provision is set aside to fund the liability the Council has for the cost of other Local Councils providing education to Solihull children in hospitals during 2009/10. Children who are inpatients in hospital receive education provided by the local Council in which the hospital is based, but the host councils can recoup their costs from the child's home council.

There is an obligation on the charging council to invoice the home council within 12 months of the end of the financial year in which the costs were incurred. Home councils have no power to refuse to pay, even though their prior consent may not have been obtained, only the amount payable is open to negotiation. As home councils are not normally informed of the costs of hospital education until the following financial year, it is necessary to make a provision. This provision is calculated by analysing previous expenditure for trends and averages which can reasonably be projected forwards.

Interagency Placements

The interagency placements provision represents final fees due to outside agencies for successful child adoption places. The Council pays 2/3 of the total fee when the child is placed and the final third is paid when the adoption order is granted. There is uncertainty about the payment of the final 1/3 based on the fact that if the placement breaks down before the adoption order is granted, the final 1/3 is not paid.

Lyndon House Provision

A provision has been set aside in respect of a disputed invoice regarding the social care element of children with learning disabilities using the Lyndon House respite facility during 2010/11.

Bad Debt Provision

The Council has provided £7.007m for potential bad debts (£7.043m in 2009/10). This is not shown in the provisions note as £6.337m is adjusted for against Short Term Debtors (Note 21), and £670k against Long Term Debtors (Note 22).

29. Trading Operations

There are a small number of areas within the Council which undertake trading with third parties. All of these operations are integral parts of the total cost of the whole service and do not produce trading accounts. The costs and income for these areas are included within the Highways and Transport Services line of the CI&ES.

30. Pooled Budgets

Solihull NHS Care Trust was established on 1 October 2006 as a separate legal entity and is responsible for the provision of adult social services and health services across the borough.

The Council has established partnership agreements with Solihull NHS Care Trust using powers under Section 31 of the Health Act 1999 to create single 'pooled budgets' within an integrated service. Known as Section 31 Agreements, they are intended to provide a more joined up service for users:

	2009/10 £000	2010/11 £000
Funding		
Solihull NHS Care Trust	(32,138)	(34,376)
Solihull Metropolitan Borough Council	(55,562)	(61,054)
Total Funding	(87,700)	(95,430)
Spending		
Solihull NHS Care Trust *	87,510	95,239
Joint Director of Public Health and Protection	168	168
Meadow Centre	22	23
Total Spending for period	87,700	95,430

* The spending shown as Solihull NHS Care Trust is total spending for adult social services functions delegated by the Council to the Trust, plus total expenditure by the Trust on adult community services as part of a Section 31 agreement effective from 1 October 2006.

The partnership between the Council and Solihull NHS Care Trust was dissolved on 1 April 2011. The Adult Social Care service has been provided by the Council from this date.

31. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

32. Unusable Reserves

a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000 £000	
(97,193)	Balance at 1 April		(154,701)
(87,755)	Upward revaluation of assets	(1,022)	
25,553	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services in the CI&ES	18,526	
			17,504
4,614	Difference between fair value depreciation and historical cost depreciation		3,728
80	Disposals		1,395
(154,701)	Balance at 31 March		(132,074)

b. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/10 £000		2010/11 £000 £000	
0	Balance at 1 April		(8,289)
(8,289)	Upward revaluation of investments	0	
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services in the CI&ES	0	
(8,289)			0
0	Accumulated gains on assets sold and maturing assets written out to the CI&ES as part of Other Investment Income		0
(8,289)	Balance at 31 March		(8,289)

c. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10 £000		2010/11 £000 £000	
(806,589)	Balance at 1 April		(700,781)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
39,112	Charges for depreciation on non current assets	38,731	
11,574	Charges for impairment on non current assets	5,367	
68,754	Revaluation Loss on Property, Plant and Equipment (1)	172,929	
1,309	Amortisation of Intangible Fixed Assets	1,722	
29,063	Revenue expenditure funded from capital under statute	15,476	
26,128	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	771	
175,940			234,996
	Adjusting amounts written out of the Revaluation Reserve		
(4,613)	- Write down of the Revaluation Reserve - Depreciation	(3,728)	
(61)	- Write down of the Revaluation Reserve - Disposals	0	
0	- Write down of the Revaluation Reserve - Transfer to Investment Properties	(1,395)	
(4,674)	Net amount written out of the cost of non-current assets consumed in the year		(5,123)
	Capital Financing applied in the year:		
(5,487)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(1,412)	
(6,900)	- Use of the Major Repairs Reserve to finance new capital expenditure	(7,126)	
(34,895)	- Use of Capital Grants and Contributions credited to the CI&ES	(30,291)	
0	- Application of grants from the Capital Grants Unapplied Account to fund capital expenditure	(1,419)	
(2,991)	- Capital expenditure funded from revenue and reserves	(2,944)	
(1,225)	- PFI Prepayment	0	
(8,930)	- Statutory provision for the repayment of debt	(9,618)	
(60,428)			(52,810)
	Other Movements		
(5,063)	Movements in the market value of investment properties debited or credited to the CI&ES	849	
33	Transferred Debt	34	
0	Loan Repayment	41	
			924
(700,781)	Balance at 31 March		(522,794)

(1) The movement between 2009/10 and 2010/11 on the Revaluation Loss on Property, Plant and Equipment line is in mainly in relation to the Council's housing stock. See Note 5 for further detail.

d. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CI&ES when they are incurred, but reversed out of the General Fund Balance to the Account in the MIRS. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over future financial years.

2009/10 £000		2010/11 £000 £000	
(504)	Balance at 1 April		(571)
88	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	161	
(4)	Interest on stepped LOBOs credited to the CI&ES	(6)	
(3)	Interest on soft loans credited to the CI&ES	(3)	
(148)	Icelandic bank adjustments (see detailed notes)	(535)	
(67)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements		(383)
(571)	Balance at 31 March		(954)

e. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000 £000	
130,246	Balance at 1 April		195,687
58,925	Actuarial (gains) or losses on pensions assets and liabilities	(38,036)	
17,984	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	(11,122)	
(11,468)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,087)	
195,687	Balance at 31 March		(61,245)
			134,442

f. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CI&ES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000	£000
(393)	Balance at 1 April		(428)
	Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(10)	(10)
(428)	Balance at 31 March		(438)

g. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave and flexi leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000	£000
3,312	Balance at 1 April		4,087
(3,312)	Settlement or cancellation of accrual made at the end of the preceding year	(4,087)	
4,087	Amounts accrued at the end of the current year	3,637	
775	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(450)
4,087	Balance at 31 March		3,637

33. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(4,216)	Interest received	(480)
12,982	Interest paid	13,822
(74)	Dividends received	(74)
8,692	Included within cash flows from operating activities	13,268

34. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
47,783	Purchase of property, plant and equipment, investment property and intangible assets	41,299
1,985	Purchase of short-term and long-term investments	0
29,063	Other payments for investing activities	15,476
(3,708)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,123)
(38,061)	Capital grants received	(30,675)
(30,678)	Proceeds from short-term and long-term investments	(3,230)
(9,650)	Other receipts from investing activities	(1,993)
(3,266)	Net cash flows from investing activities	18,754

35. Cash Flow Statement – Financing Activities

2009/10		2010/11
£000		£000
(9,600)	Cash receipts of short- and long-term borrowing	(12,000)
0	Other receipts from financing activities	(5,677)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases	
2,309	and on-Balance Sheet PFI contracts	2,991
33,324	Repayments of short- and long-term borrowing	13,902
5,844	Other payments for financing activities	1,395
31,877	Net cash flows from financing activities	611

36. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CI&ES is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CI&ES);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- contributions to and from revenue reserves are reported to Cabinet but are not included in the CI&ES.

The income and expenditure of the Council's cabinet portfolios recorded in the year-end outturn report to Full Cabinet is as follows:

Cabinet Income and Expenditure 2010/11	Community Services £000	Children and Young People £000	Healthier Communities £000	Leader, Resources and Efficiency £000	Environment £000	Transport & Highways £000	Economic Development and Regeneration £000	Safer Communities £000	Total £000
Fees, charges & other service income	(4,086)	(14,080)	(9,461)	(11,557)	(2,791)	(4,955)	(40,549)	(1,250)	(88,729)
Interest and Investment Income	0	(65)	(212)	(145)	2	0	(64)	0	(484)
Government grants	(401)	(192,818)	(7,156)	(66,051)	(509)	(1,385)	(7,040)	(613)	(275,973)
Total Income	(4,487)	(206,963)	(16,829)	(77,753)	(3,298)	(6,340)	(47,653)	(1,863)	(365,186)
Employee expenses	4,897	147,361	193	22,160	1,016	3,754	4,698	2,857	186,936
Other service expenses	4,060	80,881	62,528	77,807	13,249	9,733	34,788	1,040	284,086
Support service recharges	(474)	3,049	30	(6,984)	115	(1,022)	944	33	(4,309)
Interest Payments	269	5,002	0	12,174	1,906	0	4,017	0	23,368
Total Expenditure	8,752	236,293	62,751	105,157	16,286	12,465	44,447	3,930	490,081
Transfers to/(from) reserves	92	2,021	(489)	534	(500)	(6)	6,390	(49)	7,993
Net Expenditure	4,357	31,351	45,433	27,938	12,488	6,119	3,184	2,018	132,888

Cabinet Income and Expenditure 2009/10 Comparative Figures	Community Services £000	Children and Young People £000	Healthier Communities £000	Resources £000	Transport & Highways £000	Economic Development and Regeneration £000	Safer Communities £000	Total £000
Fees, charges & other service income	(4,590)	(12,392)	(4,782)	(12,764)	(4,869)	(40,038)	(3,521)	(82,956)
Interest and Investment Income	2	(284)	(224)	(536)	0	(104)	0	(1,146)
Government grants	(1,218)	(180,964)	(6,997)	(60,503)	(309)	(1,759)	(757)	(252,507)
Total Income	(5,806)	(193,640)	(12,003)	(73,803)	(5,178)	(41,901)	(4,278)	(336,609)
Employee expenses	5,814	151,910	1,192	22,156	3,715	4,277	3,341	192,405
Other service expenses	21,914	76,422	58,215	57,242	12,680	40,839	2,266	269,578
Support service recharges	(1,589)	3,554	62	(5,987)	(1,219)	926	(242)	(4,495)
Interest Payments	280	4,133	0	11,767	0	4,087	0	20,267
Total Expenditure	26,419	236,019	59,469	85,178	15,176	50,129	5,365	477,755
Transfers to/(from) reserves	(168)	(93)	(1,796)	1,217	(19)	(4,904)	1	(5,762)
Net Expenditure	20,445	42,286	45,670	12,592	9,979	3,324	1,088	135,384

Reconciliation of Cabinet Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of cabinet income and expenditure relate to the amounts included in the CI&ES

	2009/10 £000	2010/11 £000
Net expenditure in the Cabinet Analysis	135,384	132,888
Amounts in the CI&ES not reported to management in the Analysis (see note below for further details)	121,235	191,732
Amounts included in the Analysis not included in the CI&ES	(5,327)	(17,498)
Cost of Services in the Comprehensive Income and Expenditure Statement	251,292	307,122

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CI&ES.

	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
2010/11						
Fees, charges & other service income	(88,729)	(808)	4,166	(85,371)	0	(85,371)
Interest and investment income	(484)	0	484	0	(683)	(683)
Income from council tax	0	0	0	0	(94,873)	(94,873)
Government grants and contributions	(275,973)	798	11,997	(263,178)	(90,907)	(354,085)
Rent received on investment properties	0	0	0	0	(4,166)	(4,166)
Total Income	(365,186)	(10)	16,647	(348,549)	(190,629)	(539,178)
Employee expenses	186,936	(30,462)	0	156,474	7,253	163,727
Other service expenses	284,086	3,724	(3,053)	284,757	0	284,757
Support Service recharges	(4,309)	0	0	(4,309)	0	(4,309)
Depreciation, amortisation and impairment	0	218,749	0	218,749	0	218,749
Interest Payments	23,368	0	(23,368)	0	13,750	13,750
Precepts & Levies	0	0	0	0	12,421	12,421
Payments to Housing Capital Receipts Pool	0	0	0	0	478	478
Investment property expenses and changes in fair value	0	0	0	0	938	938
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	(1,416)	(1,416)
Total expenditure	490,081	192,011	(26,421)	655,671	33,424	689,095
Transfer to/(from) Reserves	7,993	(269)	(7,724)	0	0	0
Surplus or deficit on the provision of services	132,888	191,732	(17,498)	307,122	(157,205)	149,917

Reconciliation to Subjective Analysis

	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
2009/10 Comparative Figures						
Fees, charges & other service income	(82,956)	4,099	0	(78,857)	0	(78,857)
Interest and investment income	(1,146)	0	1,146	0	(1,287)	(1,287)
Income from council tax	0	0	0	0	(92,726)	(92,726)
Government grants and contributions	(252,507)	(14,363)	9,924	(256,946)	(85,678)	(342,624)
Rent received on investment properties	0	0	0	0	(4,234)	(4,234)
Total Income	(336,609)	(10,264)	11,070	(335,803)	(183,925)	(519,728)
Employee expenses	192,405	(3,898)	0	188,507	10,414	198,921
Other service expenses	269,578	44,048	(2,910)	310,716	0	310,716
Support Service recharges	(4,495)	0	0	(4,495)	0	(4,495)
Depreciation, amortisation and impairment	0	92,367	0	92,367	0	92,367
Interest Payments	20,267	0	(20,267)	0	13,132	13,132
Precepts & Levies	0	0	0	0	12,175	12,175
Payments to Housing Capital Receipts Pool	0	0	0	0	752	752
Investment property expenses and changes in fair value	0	0	0	0	(5,000)	(5,000)
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	24,576	24,576
Total expenditure	477,755	132,517	(23,177)	587,095	56,049	643,144
Transfer to/(from) Reserves	(5,762)	(1,018)	6,780	0	0	0
Surplus or deficit on the provision of services	135,384	121,235	(5,327)	251,292	(127,876)	123,416

37. Members' Allowances

The total of Members' allowances paid in the year was £542k (£527k in 2009/10).

The amounts paid are in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

38. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post		Salary, Fees £ and Allowances	Expenses £ Allowance	Pension Contribution £ (employer's)	Any Other £ Emoluments	Total £ Remuneration
Chief Executive	2010/11	137,478	692	25,070	8,718	171,958
	2009/10	122,745	607	21,736	7,892	152,980
Director of Resources (previously Director of Business Support)	2010/11	100,937	692	17,293	480	119,402
	2009/10	96,798	607	16,165	480	114,050
Director for Business Transformation (previously Director for Commissioning)	2010/11	89,917	692	15,735	480	106,824
	2009/10	87,957	607	14,689	480	103,733
Director of Governance (previously Director of Corporate Governance)	2010/11	88,193	692	15,735	480	105,100
	2009/10	87,299	607	14,579	480	102,965
Director for People (1)	2010/11	124,009	692	21,702	480	146,883
	2009/10	66,448	332	11,097	263	78,140
Acting Corporate Director of Education and Children Services (2)	2010/11	-	-	-	-	-
	2009/10	40,444	253	6,754	200	47,651
Director for Places	2010/11	103,063	692	18,036	480	122,271
	2009/10	100,035	607	16,706	480	117,828
Head of Communication	2010/11	56,326	692	9,857	480	67,355
	2009/10	55,490	607	9,267	480	65,844
Head of Customer Services	2010/11	60,941	692	10,503	480	72,616
	2009/10	59,276	607	9,899	1,521	71,303

(1) The 2009/10 figures were for a period of 6.5 months as the post holder was appointed partway through the year.

(2) The 2009/10 figures represent 5 months as this was an interim arrangement pending the appointment of the Director for People post.

The Council's other employees (including teachers) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2009/10 Number of employees	2010/11 Number of employees
£50,000 - £54,999	77	73
£55,000 - £59,999	56	40
£60,000 - £64,999	36	39
£65,000 - £69,999	9	18
£70,000 - £74,999	5	1
£75,000 - £79,999	2	6
£80,000 - £84,999	5	1
£85,000 - £89,999	1	2
£90,000 - £94,999	0	2
£95,000 - £99,999	1	1
£100,000 - £104,999	0	1
£105,000 - £109,999	1	0
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	1
Total	194	185

39. External Audit Costs

The following fees relate to external audit and inspection:

	2009/10 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	306	298
Fees payable to the Audit Commission in respect of statutory inspection	17	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	55	60
Fees payable in respect of other services provided by Audit Commission during the year*	4	4
Total	382	362

*The fees for other services payable in both 2009/10 and 2010/11 relate to the National Fraud Initiative.

40. Grant Income

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2009/10 & 2010/11:

	2009/10		2010/11	
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
Non ring-fenced government grants				
Revenue Support Grant	(10,100)		(6,929)	
Area Based Grant	(9,999)		(11,996)	
Local Area Agreement Reward grant	0		(2,386)	
		(20,099)		(21,311)
Capital Grants and Contributions				
Homes and Communities Agency grant	(591)		(528)	
Section 31 Major Grant	(3,872)		(6,035)	
Renewal and Growth Grant	(2,895)		(1,173)	
Primary Capital Programme	(2,062)		(3,710)	
Devolved Formula Capital	(2,042)		(2,254)	
Other capital Grants, Contributions and Donations	(10,359)		(8,182)	
		(21,821)		(21,882)
Total		(41,920)		(43,193)
Credited to Services				
Dedicated Schools Grant (DSG)	(123,995)		(122,347)	
Housing Benefit grants	(58,467)		(63,671)	
Standards Fund	(12,997)		(14,653)	
Education Support & Training	(1,757)		(10,883)	
Sure Start Grant	(5,618)		(7,274)	
PFI credits	(5,394)		(6,593)	
School Standards Grant	(6,335)		(6,507)	
Asylum Seekers	(8,196)		(5,580)	
Sixth Form Funding	(5,063)		(4,646)	
Housing Benefit Administration grant	(1,306)		(1,183)	
Supporting People	(2,354)		0	
Other government grants	(5,996)		(6,266)	
Total		(237,478)		(249,603)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

	31 Mar 2010	31 Mar 2011
	£000	£000
Capital Grants Receipts in Advance		
Devolved Formula Capital	(3,852)	(1,842)
Primary Capital Programme	(1,418)	(2,206)
Other Grants and Contributions	(3,679)	(2,189)
Total	(8,949)	(6,237)

41. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Individual Schools Budget (ISB)	Central Expenditure	Total
	£000	£000	£000
Final DSG for 2010/11	106,150	16,197	122,347
Brought forward from 2009/10	0	335	335
Carry forward to 2011/12 agreed in advance	0	0	0
Agreed budgeted distribution in 2010/11	106,150	16,532	122,682
Actual central expenditure	0	15,650	15,650
Actual ISB deployed to schools	106,150	0	106,150
Local authority contribution for 2010/11	0	0	0
Carry forward to 2011/12*	0	882	882
Total use	106,150	16,532	122,682
*Analysis of carry forward to 2011/12:	Individual Schools Budget (ISB)	Central Expenditure	Total
	£000	£000	£000
Carry forward to 2011/12 - payments to reserves	0	664	664
Carry forward to 2011/12 - overspend to be funded by DSG	0	218	218
Total carry forward	0	882	882

2009/10 Comparative Figures	Individual Schools Budget (ISB)	Central Expenditure	Total
	£000	£000	£000
Final DSG for 2009/10	15,242	108,753	123,995
Brought forward from 2008/09	274	0	274
Carry forward to 2010/11 agreed in advance	0	0	0
In Year Allocations	(709)	709	0
Agreed budgeted distribution in 2009/10	14,807	109,462	124,269
Actual central expenditure	14,472	0	14,472
Actual ISB deployed to schools	0	109,462	109,462
Local authority contribution for 2009/10	0	0	0
Carry forward to 2010/11*	335	0	335
Total use	14,807	109,462	124,269
*Analysis of carry forward to 2010/11:	Individual Schools Budget (ISB)	Central Expenditure	Total
	£000	£000	£000
Carry forward to 2010/11 - payments to reserves	610	0	610
Carry forward to 2010/11 - overspend to be funded by DSG	(275)	0	(275)
Total carry forward	335	0	335

42. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 36 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 40.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 37. During 2010/11, there were transactions to the value of £115k with companies in which five members had an interest. Contracts were entered into in full compliance with the council's standing orders.

Officers

There were no significant transactions between the Council and its Executive Directors, Heads of Service, and other related parties during the year.

Other Public Bodies [subject to common control by central government]

The Council has a pooled budget arrangement with Solihull NHS Care Trust for the provision of adult social services and health services across the borough. Transactions to the value of £56.023m were paid during the year with a balance owed by the Council of £3.631m. The West Midlands Police Authority and West Midlands Fire Authority levy precepts on the Council for which details can be found on page 97 as part of the Collection Fund revenue account. In addition levies from the West Midlands Integrated Transport Council totalling £11.042m and the Environment Agency for £82k were made during the financial year.

Entities Controlled or Significantly Influenced by the Council

The Council made grants to voluntary organisations amounting to £628k. In certain instances the grants represent a significant element of funding to voluntary organisations without which they would be unable to carry out their activities. Payment of £1.478m (£5k of which was owed by the Council at 31 March 2011) was made to Rivendell Leisure Ltd in 2010/11, for the operation of two swimming pools and sports centres within the borough. The Council made payments of £1.931m (£4.292m was owed to the Council at 31 March 2011) to the Coventry and Solihull Waste Disposal Company Ltd, a company set up by Solihull and Coventry City Councils for the disposal of waste arising from the two authorities. Solihull Community Housing Ltd, an arms length company set up to manage the Council's housing stock, is a wholly owned subsidiary of the Council. There were transactions to the value of £32,576m during 2010/11 (£65k of which was owed by the Council at 31 March 2011). There were transactions of £6.894m with North Solihull Regeneration Partnership in 2010/11 (£196k of which was owed by the Council at 31 March 2011), for the regeneration of the north of the borough.

43. Capital Expenditure and Capital Financing

	2009/10		2010/11	
	£000	£000	£000	£000
Opening Capital Financing Requirement		239,871		317,252
Capital Investment				
Property, Plant & Equipment	123,346		39,704	
Investment Property	0		44	
Intangible assets	1,394		362	
Revenue expenditure classified as capital	20,068		15,107	
Loans	0		1,291	
Total Capital Investment		144,808		56,508
Sources of Finance				
Capital receipts	(5,488)		(1,412)	
Government grants and other contributions	(34,279)		(30,790)	
Sums set aside from revenue	(27,660)		(19,442)	
		(67,427)		(51,644)
Closing Capital Financing Requirement		317,252		322,116
Explanation of Movements in Year				
Increase in underlying need to borrow (supported by Government financial assistance)		4,378		1,471
Increase in underlying need to borrow (not supported by Government financial assistance)		8,513		6,131
Change in accounting regulations to bring PFI / PPP and Finance Leases on Balance Sheet		64,490		
Assets acquired under PFI/PPP contracts		0		(2,946)
Assets acquired under Finance Leases		0		208
Increase/(decrease) in Capital Financing Requirement		77,381		4,864

44. Leases

a) Council as Lessee

Finance Leases

The Council has acquired two car parks, one of its libraries and a number of photocopiers under finance leases. The majority of these photocopiers however, are under our de-minimus level for capital spending and are therefore, not included within our Balance Sheet (see accounting policies for further details). The assets acquired under these leases that are above our de-minimus level for capital spending are carried in the Balance Sheet at the following net amounts:

	31 March 2010 £000	31 March 2011 £000
Property, Plant and Equipment		
Land and Buildings	5,423	1,855
Vehicles, Plant and Equipment	141	103
Investment Property (*)	0	1,677
	5,564	3,635

* One of the car parks was sub-leased out during 2010/11 and, therefore, was reclassified during the year from Land and Buildings to Investment Property, to reflect that the car park was no longer being used as an operational asset.

The Council is committed to making minimum payments under the photocopier leases comprising of settlement of the long-term liability for the interest in the equipment acquired by the Council and finance costs that will be payable over the remainder of the lease term. The minimum lease payments are made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities:		
• current	35	33
• non-current	105	72
Finance costs payable in future years	44	27
Total future minimum lease payments	184	132

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments 31 March 2010 £000	Finance Lease Liabilities 31 March 2010 £000	Minimum Lease Payments 31 March 2011 £000	Finance Lease Liabilities 31 March 2011 £000
Not later than one year	52	35	46	33
Later than one year and not later than five years	132	105	86	72
Later than five years	0	0	0	0
	184	140	132	105

The above lease payments are in relation to the photocopiers only, as there are no rental payments due for the car parks or the library.

Operating Leases

The Council leases out property for a variety of purposes. These include for the provision of community services, such as sports facilities and community centre, for economic development purposes to provide suitable accommodation for local businesses and for income generating purposes.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	522	496
Later than one year and not later than five years	1,099	858
Later than five years	343	606
	1,964	1,960

The minimum lease payment expenditure charged to the CI&ES during the year in relation to these leases was £531k (2009: £598k)

b) Council as Lessor

Finance Leases

During 2010/11, the Council has leased out property worth an estimated £17.395m to Arden Academy and property worth an estimated £11.750m to Tudor Grange Academy on finance leases for terms of 125 years. The Council has also leased out property worth an estimated £23.710m to Park Hall Academy on a finance lease with a remaining term of 124 years. There is no rent payable to the Council under the terms of these leases.

Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	1,332	1,405
Later than one year and not later than five years	4,114	4,211
Later than five years	51,194	49,358
	56,640	54,974

The minimum lease payments receivable shown above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews and rents linked to percentage of future revenue.

In 2010/11 contingent rents of £3.402m were receivable by the Council (2009/10: £3.453m).

45. Private Finance Initiatives and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council is deemed to control the services that are provided under its schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

BSF PFI

In 2010/11 the Council was committed to making a payment of approximately £8m per annum under a contract with Solihull BSF Schools Ltd to cover the design, build and operational costs associated with Lanchester, Park Hall Academy and Smith's Wood Schools. The actual payment will vary in line with inflation. The contract expires in 2035/36. There have been no changes to the arrangement during 2010/11.

The payments due to the PFI contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within one year	2011/12	1,015	4,849	2,269	8,133
Within two to five years	2012/13 - 2015/16	4,295	18,541	10,379	33,215
Within six to ten years	2016/17 - 2020/21	7,673	20,829	14,694	43,196
Within eleven to fifteen years	2021/22 - 2025/26	10,806	16,818	17,665	45,289
Within sixteen to twenty years	2026/27 - 2030/31	15,114	10,691	21,850	47,655
Within twenty-one years to twenty-five years	2031/32 - 2035/36	18,119	2,654	22,387	43,160
Total		57,022	74,382	89,244	220,648

The liability outstanding to pay to the PFI contractor for capital expenditure is as follows:

	31 March 2009 £000	Net Payments during the year £000	31 March 2010 £000	Payments during the year £000	31 March 2011 £000
Lanchester School	9,211	(170)	9,041	(152)	8,889
Park Hall School	23,399	(570)	22,829	(505)	22,324
Smith's Wood School	0	26,325	26,325	(516)	25,809
Total	32,610	25,585	58,195	(1,173)	57,022

Leisure PPP

In 2010/11 and subsequent years the Council is committed to making a payment of approximately £940k per annum to Rivendell Leisure Ltd in respect of the unitary charge element of the Leisure PPP contract for the operation of two swimming pools and sports centres within the borough. In future years the actual payment will vary in line with inflation. The contract expires in 2038/39. There have been no changes to the arrangement during 2010/11.

The payments due to the PPP contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within one year	2011/12	182	246	676	1,104
Within two to five years	2012/13 - 2015/16	1,447	971	2,246	4,664
Within six to ten years	2016/17 - 2020/21	804	617	5,020	6,441
Within eleven to fifteen years	2021/22 - 2025/26	125	481	6,597	7,203
Within sixteen to twenty years	2026/27 - 2030/31	847	1,430	5,789	8,066
Within twenty-one years to twenty-five years	2031/32 - 2035/36	1,169	1,375	6,497	9,041
Within twenty-six to thirty years	2036/37 - 2040/41	865	877	2,141	3,883
Total		5,439	5,997	28,966	40,402

The liability outstanding to pay to the PPP contractor for capital expenditure is as follows:

	31 March 2009 £000	Payments during the year £000	31 March 2010 £000	Payments during the year £000	31 March 2011 £000
Leisure	6,148	(339)	5,809	(370)	5,439
Total	6,148	(339)	5,809	(370)	5,439

Similar contracts

In 2008/09, the Council entered into a 7 year contract with Enterprise Management Services Ltd to provide Strategic Environment services, which is extendable up to 21 years. In 2010/11 the Council was committed to making a payment of approximately £8m (£8m in 2009/10) to cover the provision of Waste Collection and Recycling, Street Cleansing and Ground Maintenance. The actual payment will vary over the life of the contract in line with inflation and any negotiated service changes. Within the contract there is provision for additional variable works, which by their nature are not yet known amounts and are therefore not included in the payment figures below.

The payments due to the contractor are as follows:

		Repayment of liability £000	Interest £000	Service Charge £000	Total £000
Payments due to be made:					
Within one year	2011/12	1,481	1,334	5,713	8,528
Within two to five years	2012/13 - 2015/16	5,148	5,633	17,119	27,900
Total		6,629	6,967	22,832	36,428

The liability outstanding to pay to the contractor for capital expenditure is as follows:

	31 March 2009 £000	Net Payments during the year £000	31 March 2010 £000	Payments during the year £000	31 March 2011 £000
Vehicles and Plant	4,945	482	5,427	(1,401)	4,026
Total	4,945	482	5,427	(1,401)	4,026

46. Impairment Losses

2010/11

During 2010/11 the primary schools at Bennett's Well and Alcott Hall were vacated. The Alcott Hall school was demolished in January and the value of the building, £2.813m, impaired accordingly. The building at Bennetts Well is currently being prepared for demolition and the value of this building, £1.820m, has also been impaired.

Further material impairment was recognised in relation to £2.405m charged to the HRA during 2010/11 relating to 72 properties held void pending demolition.

Detail of 2010/11 Impairments:	Land & Buildings £000	Council Dwellings £000	Total £000
The amount of impairment losses recognised as a deficit on the Provision of Services, during the period in which those impairment losses are included	2,962	2,405	5,367
The amount of impairment losses on revalued assets recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve during the period	1,672	0	1,672
Total	4,634	2,405	7,039

2009/10

During 2009/10, the Council has recognised an impairment loss on two material assets in the land & buildings category of assets. Firstly, for £7.945m in relation to the closure of Smiths Wood Secondary School, which has been replaced by a new school. Secondly, Chelmsley Wood Library was impaired to the value of £1.338m when it was closed and replaced with a new flagship library.

Further material impairment was recognised in relation to £2.770m charged to the HRA during 2009/10, and includes 62 properties held void pending demolition and 7 hostel units.

Detail of 2009/10 Impairments:	Land & Buildings £000	Council Dwellings £000	Total £000
The amount of impairment losses recognised as a deficit on the Provision of Services, during the period in which those impairment losses are included	8,804	2,770	11,574
The amount of impairment losses on revalued assets recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve during the period	496	0	496
Total	9,300	2,770	12,070

47. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £126k (£442k in 2009/10).

All of the 2010/11 and the majority of 2009/10 contract terminations were payable to members of staff based in the People Directorate. These are included within the Education & children's services line of the CI&ES.

48. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council currently participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by The West Midlands Authorities Pension Fund (WMMAPF) - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- A defined benefit multi-employer pension scheme operated by the Department for Children, Schools and Families of which, under the Teachers' Pensions Regulations Act 1972, the teachers employed by the Council are members. The scheme is managed by the Teachers' Pension Agency under the Teachers' Pensions Regulations 1997, as amended. However, the Teachers' Pension Fund is accounted for as a "defined contribution" scheme in line with the requirements of IAS 19 since the scheme is notionally funded and the underlying liabilities cannot be identified on a consistent basis. In 2010/11 the Council paid £13.085m (£9.440m in 2009/10) to the Department for Children, Schools and Families in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay.

In addition, the Council makes pension payments relating to added years it has awarded, together with related increases. These discretionary payments form a separate, unfunded scheme and in 2010/11 these payments amounted to £1.013m (£1.032m in 2009/10).

The Council has not made any discretionary post retirement benefit awards during 2010/11.

Transactions relating to post-employment benefits

We recognise the cost of post employment benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of past employment/retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CI&ES and the General Fund Balance via the MIRS during the year:

	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	7,520	12,057
• past service costs	12	(30,439)
• settlements and curtailments	38	7
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	25,270	27,767
• expected return on scheme assets	(14,856)	(20,514)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	17,984	(11,122)
<i>Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure:</i>		
• actuarial (gains) and losses	58,925	(38,036)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	76,909	(49,158)
<i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(17,984)	11,122
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	11,468	12,087

The cumulative amount of actuarial gains and losses recognised in the CI&ES to the 31 March 2011 is a gain of £49.158m.

The assets and liabilities in relation to post employment benefits are shown below:

Reconciliation of the present value of the scheme liabilities		
	2009/10 £000	2010/11 £000
1 April	345,268	480,926
Current service cost	7,520	12,057
Interest cost	24,434	27,006
Contributions by scheme participants	4,386	4,436
Actuarial (gains) and losses	113,456	1,126
Benefits paid	(14,188)	(13,849)
Past service costs	12	(30,439)
Curtailments	38	7
31 March	480,926	481,270 *

Reconciliation of the fair value of the scheme assets		
	2009/10 £000	2010/11 £000
1 April	227,319	299,582
Expected return on scheme assets	14,856	20,514
Actuarial gains and (losses)	55,716	37,454
Employer contributions	11,493	12,147
Contributions by scheme participants	4,386	4,436
Benefits paid	(14,188)	(13,849)
31 March	299,582	360,284 *

* The sum of the scheme liabilities and scheme assets shown in the tables above is different to the Net Pension Liability figure shown in the Balance Sheet on page 9/10, as the note excludes the pension liability on teachers' benefits.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity reflect long-term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £57.968m (2009/10: £70.572m)

Scheme history					
	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities	(370,673)	(407,288)	(345,268)	(480,926)	(481,270)
Fair value of assets	285,663	283,748	227,319	299,582	360,284
Surplus/(deficit)	(85,010)	(123,540)	(117,949)	(181,344)	(120,986)

The liabilities show the underlying commitments that the Council has in respect of WMMAPF retirement benefits. The total liability of £120.986m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £134.442m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £12.015m (17.5% of pensionable pay).

Basis for estimating assets and liabilities

The principal assumptions used by the actuary are shown in the following table:

	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.50%
Bonds	4.90%	4.80%
Other	4.80%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2 years	21.6 years
Women	24.1 years	24.2 years
Longevity at 65 for future pensioners:		
Men	22.2 years	23.0 years
Women	25.0 years	25.8 years
Rate of inflation	3.30%	3.40%
Rate of increase in salaries	5.10%	4.70%
Rate of increase in pensions	3.30%	2.90%
Rate for discounting scheme liabilities	5.60%	5.50%
Take-up of option to convert annual pensions into retirement lump sum (both years)	50% take maximum cash, 50% take 3/80ths cash	

History of experience gains and losses

The experience adjustments arising on the assets and liabilities of the scheme are expressed below as a percentage of the scheme's assets at the Balance Sheet date:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Experience gains/(losses) on assets	0.9	(7.9)	(33.5)	(18.6)	(8.6)
Experience gains/(losses) on liabilities	0.2	1.9	0.0	0.0	(0.8)

49. Contingent Assets

The following contingent assets has not been recognised in the CI&ES nor on the Balance Sheet because the Council does not have full control over the outcome:

Blythe Valley

The Council has retained a financial interest in land at Blythe Valley through an existing legal agreement with its development partner. Effectively, it has the right to a share of future land value receipts as and when individual plots of land are disposed of.

Disclosure of an estimate of value in the accounts may affect the negotiations in the sale of plots and be prejudicial to both the Council and its development partner's commercial interests. It might also lead to an expectation which would prejudice the working relationship with the Council's partner. For these reasons, no estimate of value has been disclosed.

50. Contingent Liabilities

The following items have not been accrued for within the accounts for 2010/11 because the amount of potential liability cannot be accurately determined:

a. Municipal Mutual Insurance (MMI)

Following the refusal of the Council's previous insurance company, Municipal Mutual Insurance (MMI), to offer renewal terms from September 1992, it is feasible that, at some later date, the Council may be liable to meet any outstanding insurance claims that MMI would not honour. The potential amounts involved are being reviewed to determine whether the Council can accommodate any liability within its own Insurance reserves.

b. Grant Funded Projects

The Council has undertaken the Accountable Body role for a range of grant funded projects. These projects have been funded from a variety of grant regimes including European Union sources, Advantage West Midlands and New Opportunities Fund. There is a potential liability to the Council from non-delivery of outputs, ineligible expenditure or disposal of assets. To minimise the impact of these possible liabilities, the Council has introduced various controls and mechanisms such as service level agreements, asset registers and detailed expenditure verification and monitoring. In a situation where a Council liability is agreed, it will be disclosed and an appropriate provision made in the relevant year's accounts.

c. Mental Health Care

The Council has a responsibility to provide free after care under section 117 of the Mental Health Act 1983 and had previously set aside reserves to fund claims. This reserve was fully utilised in 2006/07 and work continues to be undertaken with the Care Trust to evaluate whether a risk may continue.

51. Trust Funds

There are ten trust funds and various other funds that are administered by the Council. These funds are not included within the Balance Sheet.

The total funds as at 31 March 2011 amounted to £1.373m (31 March 2010: £1.433m). The Knowle Streamside Trust totalling £255k is the largest trust, with the remaining £1.117m being held mainly on behalf of Social Service clients.

52. Events after the Balance Sheet Date

a. Birmingham Airport Holdings Ltd

A valuation of the shares the Council holds in Birmingham Airport Holdings Ltd is expected to take place before the issue of the final Accounting Statement in September 2011. As this new valuation will be in regard to the shares held by the Council at 31 March 2011, the associated figures in the final Accounting Statement may need to be changed accordingly.

b. Solihull NHS Care Trust

The partnership between the Council and Solihull NHS Care Trust was dissolved on 1 April 2011. The Adult Social Care service has been provided by the Council from this date. No adjustments have been made to the figures reported up to 31 March 2011 in the Accounting Statement.

53. Statement of Accounting Policies (IFRS)

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act. The accounting convention adopted in the Accounting Statement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. International Reporting Standard IAS 8 requires entities to disclose the expected impact of new standards that have been issued but not yet adopted and these have been included within the Notes to the Accounting Statement.

2. Accruals of Expenditure and Income

Activity is accounted for in the financial year that it takes place, not when money is paid or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Acquired and Discontinued Operations

Activities are considered to be acquired only if they are taken on from outside the public sector. Activities are considered to be discontinued only if they cease entirely. They are not considered to be discontinued if they transfer to another public sector body. Any discontinued activities that are material to the accounts will be shown on the face of the CI&ES and prior period figures will be restated for comparison purposes.

4. Business Improvement District (BID)

BID projects are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers in the BID area. There are two key participants in the Solihull BID – the Council as the billing authority for the area and Solihull BID as the BID Body. The Council acts as the agent therefore neither the proceeds of the levy nor the payment to the BID Company are shown in the Council's accounts.

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 1 month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

6. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service;

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (minimum revenue provision).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of adjusting transactions with the Capital Adjustment Account in the MIRS.

7. Employee Benefits

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the CI&ES. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, allocations are required to and from the Pensions Reserve to remove the notional accounting entries for pension enhancement termination benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits:

Employees of the Council are eligible to be members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The Local Government Pensions Scheme, administered by Wolverhampton City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the CI&ES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices;
- The assets of WMMAPF attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CI&ES to the services for which the employees worked;
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Non Distributed Costs line in the CI&ES;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the
- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Non Distributed Costs line in the CI&ES;
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pension Reserve in the MIRS;
- contributions paid to the WMMAPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are allocations to and from the Pensions Reserve to remove the notional accounting entries for retirement benefits and replace them with accounting entries for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Exceptional Items and Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that could influence the decisions or assessments of users made on the basis of the financial statements. Prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the CI&ES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

9. Events after the Balance Sheet Date

These are events that have happened after the balance sheet date, 31 March 2011. There are two types of event (adjusting and non-adjusting) and the treatment within the accounts depends on the nature of the event.

An adjusting event is one that existed at the balance sheet date and has a material impact on the accounts. The accounts are adjusted where this type of event has taken place.

A non-adjusting event is one that is indicative of conditions that arose after the balance sheet date. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.

10. Financial Instruments

Financial Assets:

The Council's financial assets are classified into four types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at amortised cost;
- Financial Assets at fair value through the CI&ES– assets that are held for trading by an external fund manager. These assets are accounted for in the balance sheet at fair value and any changes in value would be taken to the CI&ES;
- Unquoted equity instruments – shares held in related party organisations that are not publicly quoted and where there is no reliable source of valuation. These are held in the accounts at cost;
- Available-for-Sale Assets - shares held in a related party organisation with no publicly quoted market price but having an independent appraisal of the organisation's valuation.

Annual credits to the CI&ES for interest receivable are based on the carrying amount of the instrument multiplied by its effective rate of interest.

The Council has made a number of loans at less than market rates (known as soft loans), principally to individuals under the Chronically Sick and Disabled Person Acts. The financial effect of this concession is charged to the CI&ES representing the interest foregone, over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund Balance is limited to the actual interest receivable for the year, a transfer to or from the Financial Instruments Adjustment Account is made to cover the difference, in the MIRS.

Fixed or determinable payments such as interest receivable are credited to the CI&ES annually based on the amortised cost of the asset multiplied by the effective rate of interest. Other payments, such as dividends, are credited to the CI&ES when they become receivable.

Impairment of financial assets has been recognised where there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset.

Financial Liabilities:

These are initially measured at fair value and carried on the balance sheet at their amortised cost. Annual charges for interest payable are made to the CI&ES based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CI&ES in the year they occur. Any premium or discount arising on restructuring of the loan portfolio is respectively deducted from or added to the amortised cost of the new or modified loan and charged to the CI&ES over the life of the loan.

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CI&ES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement on Reserves Statement

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or to Taxation and Non-Specific Grant Income (for non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants without conditions are credited to the CI&ES but have not yet been spent, if they have been earmarked for a specific purpose, they are appropriated out of the General Fund Balance to earmarked reserves in the MIRS.

Area Based Grant

Area Based Grant (ABG) and Local Area Agreement (LAA) reward grants are general grants allocated by Central Government, for which Solihull MBC is the accountable body. These grants are accounted for in line with the Council's policy on government grants and contributions and recognised immediately in the CI&ES as Taxation and Non-Specific Grant Income.

12. Infrastructure assets

Infrastructure assets are carried at depreciated historical cost although this will be reconsidered in future once the CIPFA project on infrastructure assets has been completed. They are currently depreciated over a life of 40 years, or a useful life verified by a qualified professional officer.

13. Intangible Assets

Expenditure on assets that do not have physical substance (e.g. software licenses) but are identifiable and controlled by the Council, is capitalised when it brings benefits to the Council for a period of more than one financial year. The balance is amortised to revenue on a systematic basis over the economic life of the assets.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CI&ES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&ES.

14. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities and is required to prepare group accounts. Subsidiaries are fully consolidated and jointly controlled entities are consolidated on an equity basis within the Council's group accounts.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments at cost, less any provision for known losses.

15. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

16. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment line in the CI&ES. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17. Landfill Allowances

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Council (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

18. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(a) The Council as LesseeFinance Leases

Property, plant and equipment held under finance leases with an original fair value over the capital de-minimus level of £15k, is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent rent increases (contingent rents) are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CI&ES).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by an additional revenue contribution in the General Fund Balance, by way of adjusting transactions with the Capital Adjustment Account in the MIRS.

Operating Leases

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

(b) The Council as LessorFinance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, in line with the Council's policy on disposals.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CI&ES on a straight-line basis over the life of the lease.

19. Property Plant & Equipment

All expenditure on the acquisition, construction or improvement of tangible fixed assets is capitalised, provided that the asset brings benefit to the Council and the services it provides for longer than one financial year.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

The Council has set a de-minimus level of £15k. This means that any expenditure below this level that otherwise meets the definition of capital expenditure as outlined above can be charged to a revenue budget.

Valuation

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';
- Fair value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;
- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many cases the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for Fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The valuation basis used for the various property types is shown in the table below:

Service Area	Operational / Non Operational	Basis of Valuation
<u>HRA</u>		
- Housing Stock	Operational	Existing Use Value - Social Housing
- Hostels	Operational	Existing Use Value - Social Housing
- Offices, Community Centres	Operational	Fair Value
- Surplus Land	Non Operational	Fair Value
- Service Tenancies	Operational	Existing Use Value - Social Housing
- Leased Properties	Non Operational	Fair Value
- Additional properties not allocated to a beacon	Operational	Fair Value
<u>Education</u>		
<u>Schools</u>		
- School Buildings	Operational	Depreciated Replacement Cost
- School Playing Fields	Operational	Fair Value
<u>Voluntary Aided Schools</u>		
- School Buildings	Operational	Depreciated Replacement Cost
- School Playing Fields	Operational	Fair Value
<u>Education - Non School Assets</u>		
- i.e. Youth Centres and Nurseries	Operational	Combination of DRC and Fair Value
<u>Leisure</u>		
Leisure Centres	Operational	Depreciated Replacement Cost
<u>Cemeteries</u>		
Cemetery and Crematorium	Operational	Depreciated Replacement Cost
<u>Social Care Properties</u>		
Day Centres and Residential Care Homes	Operational	Combination of DRC and Fair Value
<u>Council Offices</u>	Operational	Fair Value
<u>Transport & Highways</u>		
Multi Storey Car Parks	Operational	Depreciated Replacement Cost
Surface Car Parks	Operational	Fair Value
<u>Libraries</u>	Operational	Depreciated Replacement Cost
<u>Parks</u>		
Parks Buildings - changing rooms, attendants huts	Operational	Combination of DRC and Fair Value depending on individual property
<u>Investment Properties</u>	Non Operational	Fair Value
<u>Industrial Units</u>	Non Operational	Fair Value
<u>Shops - North</u>	Non Operational	Fair Value
<u>Shops - South</u>	Non Operational	Fair Value

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations have been carried out by our in-house valuers. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. The length of this life is determined at the point of acquisition or revaluation according to the following policy:

Assets acquired in the first half of a financial year are depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year.

Assets that are not fully constructed are not depreciated until they are brought into use.

Depreciation is calculated using the straight-line method, which charges an equal annual amount to the CI&ES, so that the asset's value is fully written down over its useful life.

From 2010-11 where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components can be depreciated separately and will be considered for componentisation.

Asset Life – Remaining Life

Whilst an attempt is made to correctly identify each individual asset's useful life, there are some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member.

Equipment and vehicles are depreciated over 5 years, plant over 12 years and infrastructure over 40 years, except for items of plant, equipment and vehicles that are held under a finance lease, which are depreciated over the length of the lease.

Residual Values – Depreciation

As the Council policy is to use building and equipment to the end of their useful life, it is the policy not to adopt residual values. Any IT equipment is recycled to schools or the voluntary sector. Any other equipment with a residual value would be insignificant. For these reasons residual values will not be adopted for the calculation of depreciation. The residual values of assets carried at historical cost (i.e. community and infrastructure assets) will not be material.

Impairments

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES.

Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale. In general, the following conditions must be met for an asset to be classified as held for sale:

- management is committed to a plan to sell;
- the asset is available for immediate sale ;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

The assets need to be disposed of through sale. Therefore, assets that are expected to be scrapped or abandoned would not meet the definition.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

Component Accounting

The policy has been developed following the requirement stipulated in the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code specifies the requirements for component accounting for the separate recognition, depreciation and derecognition of parts of assets under International Accounting Standard 16 (IAS 16) – Property, Plant & Equipment. Further best practice guidance has been adopted from the Local Authority Accounting Panel (LAAP) Bulletin 86 Componentisation of Property, Plant & Equipment. The adoption of this guidance has ensured compliance with The Code and appropriateness to the Council's specific circumstances.

Component accounting is where an asset has two or more significant identifiable components which in turn have substantially different lives; the asset should be treated as separate components and depreciated appropriately. For this purpose the asset is the non-land element recognised in the accounts.

A significant component is defined as one that has a significant value/cost when compared to the total cost of the asset as a whole but has a significantly shorter useful life and will require replacement at least on one occasion during the life of the asset.

The objective is to ensure that the financial value of the assets is fairly reflected in the balance sheet and that the income and expenditure account appropriately reflects the consumption of economic benefits inherent in those assets.

Componentisation only needs to be considered: it is not compulsory for all buildings; in the majority of cases it probably will not be necessary at all.

De Minimis Levels:

The de minimus level of £2m has been set in 2010-11 for the Council for component accounting. Any asset valued below this will not be considered for componentisation. This threshold was set following consultation with the valuers and after undertaking statistical analysis that highlighted if component accounting was applied to all assets the depreciation would only vary by 0.12% of the current asset value. This de minimus level will be reviewed on an annual basis.

Materiality Level of Assets:

Groups of assets with similar characteristics that individually are below the de minimus level but when grouped together the value exceeds £2m will be considered for componentisation.

When these assets are grouped together and the enhancement expenditure is not readily identifiable to a specific asset and the enhancement expenditure in any specific year is below 10% of that assets total component value, the expenditure will be excluded for componentisation purposes.

Componentisation Principles:

The consideration of components is as a minimum required when one of the following triggers occurs:

- (i) Any asset in the revaluation programme for 2010-11;
- (ii) Properties that have undergone significant enhancement expenditure;
- (iii) Properties that have undergone a change of use that materially affects the value;
- (iv) Acquisition of a new asset.

CIPFA document 'Valuations for Capital Accounting 2009' states that Authorities should not go to unnecessary expense in meeting the obligations of IFRS. This has been a key principle in adopting the chosen component accounting system for the Council, given that none of the current I.T. systems could deliver the requirements of component accounting.

Where there is more than one significant component part of the same asset with the same useful life and similar method of depreciation, then such component parts will be grouped together for depreciation purposes.

The base components identified are based on the Use of Building Cost Information Services (BCIS) component life data and indices. This initial base information has been supplemented by Spon's Architects & Builders price book and in house expertise to estimate component percentages of the various assets.

Within a group of assets where no detailed component life is available and the asset has an identifiable useful life each component shall not have a life greater than the useful life of the asset.

Enhancement expenditure required in relation to trigger componentisation for any specific component is greater than 15% of the value of the component.

Desktop valuations would not trigger component accounting, as it is not sufficient to assess components (i.e. an additional exercise would be required). Usually a full valuation would be needed in order to assess components.

Where it is not possible to identify the cost of a replaced component, it is allowable to use the cost of the new component as an indication of what the cost of the replaced component was at the time it was acquired or constructed, adjusted for depreciation and impairment. Assuming this calculation is on a reasonable basis.

Professional Involvement:

The principles and policies developed above have been produced and are supported by professional officers with Internal Valuers, Property Services, Building Design and the Asset Management and Accountancy teams of Solihull Community Housing. The relevant professionals, with the support of the BCIS & Spon's indices analysis, have determined the useful life of components for the various asset categories in the component accounting database. This will be periodically reviewed with the relevant professionals to ensure accuracy.

Schedule of Components:

The final stage was the professionals agreement of the asset values over the various components. This dataset is contained within the component accounting database and will be reviewed periodically to ensure accuracy.

The components identified are listed below:

Substructure;
Superstructure;
Internal Finishes;
Fittings & Furnishings;
Services;
External Works; and
Preliminaries.

20. Overheads

The following two cost categories are separately defined in the Best Value Accounting Code of Practice (BVACOP) and accounted for as separate headings in the CI&ES, as part of Net Cost of Services:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

All central support costs not covered by these two categories are fully allocated to Services on a consistent and equitable basis in accordance with BVACOP.

21. Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CI&ES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs – a proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Where practicable an estimate of the financial effect, an indication of the uncertainties relating to the timing of the outflow and the possibility of any reimbursement will be disclosed. However, if disclosure of some or all of the information required could be expected to prejudice seriously the position of the Council in a dispute with other parties, then the general nature of the dispute, recognition of the fact that information has been withheld together with the reason will be disclosed.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Where practicable an estimate of the financial effect will be disclosed. However, if disclosure of some or all of the information required could be expected to prejudice seriously the position of the Council in a dispute with other parties then the general nature of the dispute, recognition of the fact that information has been withheld together with the reason will be disclosed.

23. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

24. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the CI&ES in the year.

Where the Council has met the cost of this expenditure from existing capital resources or by borrowing, so that there is no impact on the level of council tax, the cost is subsequently reversed out from the CI&ES to the Capital Adjustment Account.

25. Surplus Assets

Surplus assets are assets that are surplus to service needs but do not meet the definition of either investment property or assets held for sale.

26. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

HRA Comprehensive Income and Expenditure Statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The Account is required to be self-financing and cannot be subsidised by the General Fund. The amounts included in the HRA differ from the amounts in respect of HRA services included in the CI&ES for the Council as a whole, which includes income and expenditure in accordance with the Code rather than in accordance with statute and non-statutory proper practices.

31 March 2010		31 March 2011	
£000		£000	£000
Expenditure			
7,574	Repairs and maintenance	7,436	
12,007	Supervision and management	11,264	
695	Rents, rates, taxes and other charges	618	
5,754	HRA subsidy payable	6,168	
15,948	Depreciation and impairment of non-current assets (1)	157,717	
107	Amortisation of intangible assets	150	
62	Debt management costs	62	
876	Movement in the allowance for bad debts	56	
43,023	Total Expenditure		183,471
Income			
(33,889)	Dwelling rents	(34,281)	
(1,200)	Non-dwelling rents	(1,188)	
(2,814)	Charges for services and facilities	(2,211)	
(355)	Contributions towards expenditure	(226)	
(38)	Sums directed by the Secretary of State that are income in accordance with proper practices	0	
(38,296)	Total Income		(37,906)
4,727	Net cost of HRA services as included in the CI&ES		145,565
27	HRA services' share of Corporate and Democratic Core		22
4,754	Net cost/ (income) for HRA services		145,587
HRA share of the operating income and expenditure included in the CI&ES:			
(876)	(Gain) or loss on sale of HRA non-current assets		(816)
3,324	Interest payable and similar charges		3,314
(102)	Interest and Investment Income		(62)
(609)	Changes in fair value of investment property		96
(361)	Capital grants and contributions receivable		(360)
6,130	(Surplus) or deficit for the year on HRA services		147,759

(1) The movement between 2009/10 and 2010/11 on the 'Depreciation and impairment of non-current assets' line is mainly in relation to the Council's housing stock. See Note 5 - Material Items of Income and Expenditure on page 21 for further detail.

For the final Movement in Reverses position see MIRS on page 9 & 10, and also Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations on page 22.

Notes to the Housing Revenue Account

1. Housing Stock

On 31 March 2011 the Council held 10,348 dwellings. There was a reduction of 79 dwellings during the year (7 sales, 72 made available for demolition), compared to a reduction of 74 dwellings in 2009/10. Four new flats became available to rent during the year following the renovation of Highfield Farm.

	31 March 2010 £000	31 March 2011 £000
Houses	3,407	3,393
Flats	5,174	5,116
Bungalows	1,762	1,760
Maisonettes	80	79
	10,423	10,348

2. Balance Sheet Value

The value of land, houses and other property owned by the Council is detailed below:

	31 March 2010 £000	31 March 2011 £000
Dwellings	424,444	275,654
Garages	12,670	12,283
Other Land and Buildings	1,770	2,317
Vehicles, Plant and Equipment	923	629
Assets Under Construction	45	66
Investment Property	1,437	1,341
	441,289	292,290

3. Vacant Possession Value of Dwellings

As at 1 April 2010 the vacant possession value of dwellings within the Council's HRA was £862.086m, valued in accordance with the Guidance on Stock Valuation for Resource Accounting. The difference between this figure and the £275.654m valuation included within the Balance Sheet shows the economic and social cost to the Government of providing Council Housing. For the West Midlands Area the factor to be applied fell from 49% in 2009/10 to 34% in 2010/11, which has led to a downward revaluation in 2010/11. (See HRA note 9 for more details).

4. Major Repairs Reserve

The movement on the Major Repairs Reserve is detailed below:

	2009/10 £000	2010/11 £000
Balance at 1 April	0	(405)
Contributions to the Major Repairs Reserve	(7,305)	(7,263)
Capital spending on dwellings	6,900	7,126
Balance at 31 March	(405)	(542)

5. Capital Financing

	2009/10 £000	2010/11 £000
Expenditure on Capital during the year		
Council Dwellings	16,675	12,501
Other Land and Buildings	0	163
Vehicles, Plant and Equipment	189	38
Intangible Assets	135	118
Assets Under Construction	18	21
Total	17,017	12,841
Funded by:		
Supported Borrowing	4,000	3,450
Unsupported Borrowing	5,093	50
Usable Capital Receipts	277	184
Capital Grants and Contributions	628	259
Revenue and Reserve Contributions	119	1,772
Major Repairs Reserve	6,900	7,126
Total	17,017	12,841

6. Capital Receipts

Capital receipts of £0.957m were generated from the sale of land, houses and other property during 2010/11. The position is summarised as follows;

Capital Receipts	2009/10 £000	2010/11 £000
Sale of Council Dwellings	(1,093)	(638)
Sale of Land	(876)	(816)
Discounts repaid	(7)	(4)
Mortgage Principal	0	(1)
Other	(37)	0
	(2,013)	(1,459)
Less:		
Pooling contributions	752	478
Administration Costs	28	24
Total	(1,233)	(957)

7. HRA Depreciation

The depreciation charged to the HRA in 2010/11 is shown below:

	2009/10 £000	2010/11 £000
Dwellings	11,873	12,398
Garages	825	845
Other Land and Buildings	31	33
Equipment	394	332
Total	13,123	13,608

8. Amortisation

The charge to the HRA in 2010/11 in respect of the amortisation of intangible assets was £150k (2009/10: £107k)

9. Impairments

During 2010/11 the Council's housing stock has been revalued downwards by £146.170m. The main factor contributing to this decrease in valuation is a drop in the regional adjustment factor which must be applied to the valuation to arrive at a valuation for Social Housing. For the West Midlands Area the factor to be applied fell from 49% in 2009/10 to 34% in 2010/11.

10. Rent Arrears

Rent arrears are the amount of rent owed to the Council. Housing benefit overpayments, court costs, repairs and planned maintenance costs have been excluded.

Date	Total Rent Arrears £000	% of total income due in year %
31 March 2010	1,245	3.10
31 March 2011	1,208	2.97

11. Housing Bad Debt Provision

The Council puts aside money to allow for the possibility that the outstanding rent arrears (as detailed in HRA note 10) will never be paid. That money is known as the Housing Bad Debt Provision, which is calculated in accordance with the Code. The movement between year end balances is shown below:

	2009/10 £000	2010/11 £000
Balance at 1 April	(985)	(1,543)
Arrears reinstated	(14)	(36)
Contribution to provision	(876)	(56)
Net write offs	332	262
Balance at 31 March	(1,543)	(1,373)

12. HRA Subsidy

The HRA subsidy payable by the Council in 2010/11 is detailed in the following table:

	2009/10	2010/11
	£000	£000
Management Allowance	(5,883)	(5,915)
Maintenance Allowance	(11,152)	(11,098)
Major Repairs Allowance	(7,305)	(7,263)
Charges for Capital	(3,555)	(3,458)
Rents	33,636	33,945
Interest	0	0
Adjustment re prior year subsidy	13	(43)
Total	5,754	6,168

13. IAS 19 Pension Entries

SCH have been operating a fully-funded pension scheme basis since its inception on 1 April 2004.

However, the HRA still has a responsibility to contribute towards the residual back-funding element in respect of its employees who were members of the West Midlands Pension Fund at 31 March 2004, and a contribution is made by the HRA to the General Fund which accounts for the overall pension fund deficit on behalf of the Council.

The 2010/11 IAS19 entries for SCH are shown in the Council's Group Accounts, and not in the HRA, with the overall Council IAS19 position being shown in the General Fund accounts.

Collection Fund

This account shows how much council tax and National Non-Domestic Rates (business rates) are collected within the Borough. It shows how much has been transferred to the CI&ES to pay for Council services and how much has been paid to the West Midlands Police Authority and the West Midlands Fire and Rescue Authority. The difference between these amounts is then either an overall surplus or deficit which is included in the Balance Sheet.

2009/10 £000		2010/11 £000
	Income	
(91,091)	Income from council tax (amount receivable, net of benefits, discounts for prompt payments)	(92,868)
	Transfers from the General Fund	
(13,189)	Council tax benefits	(13,986)
(42)	Discounts for prompt payment	0
(102,932)	Income collectable from business rate payers*	(99,579)
(207,254)		(206,433)
	Expenditure	
	Precepts and Other Payments:	
92,298	Solihull MBC	94,864
7,774	West Midlands Police Authority	7,928
3,722	West Midlands Fire and Rescue Authority	3,813
	Business Rates:	
101,031	Payments to national pool*	98,146
250	Costs of collection	242
202	Interest on repayments (1)	1,258
	Bad and doubtful debts:	
111	Write offs (2)	1,042
1,827	Provisions (3)	(870)
207,215		206,423
(39)	Movement in Collection Fund Surplus	(10)

*The 2009/10 figures have been restated to reflect business rate income deferred under the Business Rates Deferral Scheme 2009-10

(1) The increase in interest on repayments reflects interest payable on refunds following the business rate revaluation that took effect from 1 April 2010.

(2) The increase in the write-offs figure reflects the results of the major exercise undertaken during the year to write off old arrears.

(3) The reduction in the bad debt provision largely reflects the use of the provision to write off arrears.

Notes to the Collection Fund

1. Precepts

Precepts represent the amount requested by each Authority at the beginning of the year to fund their net budgets. Precept payments to the West Midlands Police Authority totalled £7.908m (£7.760m in 2009/10) and to the West Midlands Fire Authority totalled £3.803m (£3.715m in 2009/10).

In addition, each Authority receives a proportion of the surplus on the fund which in 2010/11 amounted to £20k (£14k in 2009/10) for the Police Authority and £10k (£7k in 2009/10) for the Fire Authority.

2. Collection Fund Surplus

The Collection Fund Surplus at 31 March 2011 was £492k (£482k at 31 March 2010). The Council is required to share surpluses or deficits with the Police and Fire Authorities in proportion to their elements of the council tax charge. The Council accounted for the Collection Fund surplus for 2010/11 as follows:

The surplus of £492k is separated out in the Balance Sheet at 31 March 2011 between, in the Collection Fund Adjustment Account, the element relating to the Council of £438k (£428k as at 31 March 2010 shown as a Collection Fund Surplus) and the elements relating to the police and fire authorities totalling £55k at 31 March 2011 (£54k at 31 March 2010) which are included within the Short Term Creditors balance.

The movement in the share of the surplus attributable to the Council in the year is included in the CI&ES as part of the council tax figure. During 2010/11 this amounted to an increase of £10k (£12k in 2009/10).

3. Business Rates

The Council collects National Non-Domestic Rates or business rates from local businesses on behalf of central government. The rates payable by a business are based on its rateable value which is set by the Valuation Office Agency. As at 31 March 2011, the total rateable value for properties in Solihull was £262.000m (£228.000m at 31 March 2010). The increase is due to the revaluation which took effect from 1 April 2010.

The level of business rates payable is determined by the Government and was set at 41.5 pence per pound of rateable value in 2010/11 (48.5 pence in 2009/10). The multiplier was lower than the 2009/10 figure due to the effect of the revaluation.

4. Council Tax

At the beginning of the year, the Council calculates the level of council tax required to pay for its services. The amount of tax paid by local residents is based on the value of their property adjusted for any discounts or exemptions that apply. There are eight property valuation bands: A to H.

The council tax base, which represents the number of domestic properties in the borough expressed as equivalent to Band D properties, can be broken down as follows for 2010/11:

Band	Number of dwellings on valuation list	Number of dwellings for council tax purposes	Multiplier	Number of dwellings as Band D equivalents
A	13,853	11,577	6/9	7,718
B	11,188	9,639	7/9	7,497
C	21,335	18,899	8/9	16,799
D	16,020	14,463	9/9	14,463
E	11,384	10,451	11/9	12,773
F	8,615	8,085	13/9	11,678
G	5,128	4,817	15/9	8,029
H	309	280	18/9	561
Total Band D equivalents (tax base)	87,832	78,211		79,518

The level of council tax paid by a Band D property is calculated by dividing the total amount that the Council needs to raise from council tax by the tax base. This is converted to the amount payable by properties in other bands by applying the multiplier given in the table above.

Group Accounts

Full group accounts, to include all the organisations in which the Council has a material interest, have been prepared for 2010/11 and are included on the following pages. The group Movement in Reserves position is shown within the single entity accounts on pages 9 and 10. The organisations which are included within our group accounts are Solihull Community Housing (SCH), Coventry and Solihull Waste Disposal Company Ltd and Blythe Valley Innovation Centre Ltd.

Solihull Community Housing (SCH), an arms length company set up to manage the Council's housing stock was formed on the 1 April 2004 as a wholly owned subsidiary of the Council and its accounts have been consolidated into the group accounts on a line by line basis.

The Council's interests in two joint ventures namely Coventry and Solihull Waste Disposal Company Ltd and Blythe Valley Innovation Centre Ltd are set out in Disclosure Note 16 on page 35. These interests have been consolidated into the group accounts under the equity method.

Group Comprehensive Income and Expenditure Statement

31 March 2010 (Restated)				31 March 2011		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
30,496	(26,431)	4,065	Central services to the public	31,527	(28,282)	3,245
43,939	(13,123)	30,816	Cultural, environmental, regulatory and planning services	43,543	(12,518)	31,025
311,230	(186,114)	125,116	Education & children's services	274,851	(194,896)	79,955
26,710	(5,904)	20,806	Highways & transport services	20,158	(6,322)	13,836
43,133	(39,277)	3,856	Local authority housing (HRA)	184,862	(39,284)	145,578
61,538	(57,679)	3,859	Other housing services	61,986	(59,787)	2,199
65,141	(8,164)	56,977	Adult social care	65,801	(8,784)	57,017
4,648	(92)	4,556	Corporate & democratic core	4,447	(54)	4,393
72	0	72	Non distributed cost	(32,913)	0	(32,913)
320	0	320	Court Services	319	0	319
0	(1,351)	(1,351)	Share of Operating Results of Joint Ventures	0	(1,319)	(1,319)
587,227	(338,135)	249,092	Cost Of Services	654,581	(351,246)	303,335
		1,221	Payments of precepts to parishes			1,297
		10,954	Levies payable			11,124
		752	Amounts payable into the Housing Capital Receipts Pool			478
		24,576	(Gain)/Loss on Disposal of Non-current Assets			(1,416)
		37,503	Total Other Operating Expenditure			11,483
		8,148	Interest payable on debt			8,024
		17	Interest payable on finance leases			19
		4,967	Interest payable on PFI unitary payments			5,721
		61	Share of Interest Payable of Joint Ventures			1
		10,780	Pension interest costs			7,531
		(1,288)	Investment Interest income			(684)
		(15)	Share of Interest & Investment Income of Joint Ventures			(19)
		(5,063)	Changes in fair value of investment properties			849
		(4,234)	Rents received on investment properties			(4,166)
		63	Expenses incurred on investment properties			89
		395	Share of Taxation of Joint Ventures			335
		13,831	Total Financing and Investment Income & Expenditure			17,700
		(92,726)	Council tax			(94,873)
		(43,758)	NNDR			(47,714)
		(20,099)	Non ring-fenced government grants			(21,311)
		(21,821)	Recognised capital grants and contributions			(21,882)
		(178,404)	Total Taxation and Non-Specific Grant Income			(185,780)
		122,022	(Surplus) or Deficit on Provision of Services			146,738
		(62,795)	(Surplus) or deficit on revaluation of non current assets			17,119
		(8,289)	(Surplus) or deficit on revaluation of available for sale financial assets			0
		65,595	Actuarial (gains) / losses on pension assets / liabilities			(41,939)
		(1,316)	Any other (gains)/losses			0
		393	Prior Period Adjustment - Collection Fund			0
		(6,412)	Other Comprehensive Income and Expenditure			(24,820)
		115,610	Total Comprehensive Income and Expenditure			121,918

Group Balance Sheet

01 April 2009 Restated £000	31 March 2010 Restated £000		31 March 2011 £000
1,091,270	1,075,617	Property, Plant and Equipment	881,750
77,049	82,282	Investment Property	82,337
3,311	4,130	Intangible Assets	2,770
30,887	30,450	Long Term Investments	29,176
13,057	18,254	Investments in Associates and Joint Ventures	15,097
1,038	1,159	Long Term Debtors	2,186
1,216,612	1,211,892	Long Term Assets	1,013,316
34,405	3,727	Short Term Investments	1,839
421	362	Inventories	421
25,130	29,599	Short Term Debtors	25,739
3,894	6,338	Cash and Cash Equivalents	5,172
0	0	Assets held for sale	162
6,111	1,504	Payments In Advance	5,904
0	0	Landfill Allowances	440
69,961	41,530	Current Assets	39,677
(2,627)	(13,107)	Bank Overdraft	(8,704)
(274)	(15,438)	Short Term Borrowing	(14,483)
(45,547)	(44,486)	Short Term Creditors	(40,138)
(903)	(711)	Short Term Provisions	(963)
(18,408)	(18,489)	Receipts in Advance	(19,116)
(67,759)	(92,231)	Current Liabilities	(83,404)
0	(198)	Long Term Creditors	(1,315)
(1,286)	(1,312)	Long Term Provisions	(1,628)
(193,294)	(154,080)	Long Term Borrowing	(153,758)
(130,246)	(195,687)	Net Pension Liability	(139,320)
(44,836)	(76,676)	Other Long Term Liabilities	(64,960)
(9,253)	(8,949)	Capital Grants Receipts in Advance	(6,237)
(378,915)	(436,902)	Long Term Liabilities	(367,218)
839,899	724,289	Net Assets	602,371

(8,210)	(7,333) General Fund Working Balance	(12,230)
(2,377)	(1,852) General Fund Earmarked Balance	(1,153)
(39,589)	(36,918) Specific Revenue Reserves	(40,104)
(4,374)	(4,136) Housing Revenue Account (HRA)	(3,613)
(5,495)	(1,582) Capital Receipts Reserve	(2,348)
0	(405) Major Repairs Reserve	(542)
(4,240)	(6,813) Capital Grants Unapplied Account	(8,681)
(64,285)	(59,039) Usable reserves	(68,671)
(97,193)	(154,701) Revaluation Reserve	(132,074)
0	(8,289) Available for Sale Financial Instruments Reserve	(8,289)
(806,589)	(700,781) Capital Adjustment Account	(522,794)
(504)	(571) Financial Instruments Adjustment Account (FIAA)	(954)
133,446	205,771 Pensions Reserve	139,320
(393)	(428) Collection Fund Adjustment Account	(438)
3,312	4,087 Accumulated Absences Account	3,637
525	769 Pension Reserve - Joint Ventures	456
(7,431)	(7,431) Share of Reval Reserve of JV's	(7,431)
212	(1,690) P&L Reserve of Subsidiaries	(2,164)
(999)	(1,986) Share of P&L Account of JV's	(2,969)
(775,614)	(665,250) Unusable Reserves	(533,700)
(839,899)	(724,289) Total Reserves	(602,371)

Group Cash Flow Statement

The Group cash flow statement follows the same format as the Council cash flow statement and shows how the Group generates and uses cash and cash equivalents to classify cash flows as: operating, investing and financial activities.

31 March 2010 £000	31 March 2011 £000
122,022 Net (surplus) or deficit on the provision of services	146,738
(145,126) Adjust net surplus or deficit on the provision of services of services for non cash movements	(188,112)
2,706 Adjust for items in the net surplus or deficit on the provision of services that are investing and financial activities	18,104
<hr/> (20,398) Net cash flows from operating activities	<hr/> (23,270)
(3,191) Investing Activities	20,568
31,625 Financing Activities	(535)
<hr/> 8,036 Net (increase) or decrease in cash and cash equivalents	<hr/> (3,237)
1,267 Cash and cash equivalents at the beginning of the reporting period	(6,769)
<hr/> (6,769) Cash and cash equivalents at the end of the reporting period	<hr/> (3,532)

Notes to the Councils Group Accounts

1. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2009/10	2010/11
£000	£000
(4,216) Interest received	(480)
12,982 Interest paid	13,836
(74) Dividends received	(74)
8,692 Included within cash flow from Operating Activities	13,282

2. Cash Flow Statement - Investing Activities

2009/10	2010/11
£000	£000
Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	43,114
47,858	
1,985 Purchase of Short Term and Long Term Investments	0
29,063 Other payments for Investing Activities	15,476
Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(2,123)
(3,708)	
(38,061) Capital grants received	(30,675)
(30,678) Proceeds from Short Term and Long Term Investments	(3,230)
(9,650) Other receipts from Investing Activities	(1,994)
(3,191) Net cash flows from Investing Activities	20,568

3. Cash Flow Statement - Financing Activities

2009/10	2010/11
£000	£000
(9,852) Cash receipts of short- and long-term borrowing	(13,496)
0 Other receipts from financing activities	(5,677)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	2,991
2,309	
33,324 Repayments of Short Term and Long Term Borrowing	14,252
5,844 Other payments for financing activities	1,395
31,625 Net cash flows from Financing Activities	(535)

4. Subsidiaries

a. The Council has one subsidiary, Solihull Community Housing (SCH), an arms length company set up to manage the Council's housing stock with the effect from 1st April 2004.

b. SCH has not incurred any contingent liabilities during the last financial year.

c. As at 31 March 2011 SCH had capital commitments of £132k (£2.258m at 31 March 2010)

5. Joint Ventures

- a.** The Council has interests in two joint ventures, Coventry and Solihull Waste Disposal Company Ltd (CSWDC) and Blythe Valley Innovation Centre Ltd (BVIC). These are identified in Note 16.
- b.** The Council (as Reporting Authority) has not incurred any Contingent Liabilities in relation to its interest in Joint Ventures, either in its own right or jointly with our venturers. Neither CSWDC or BVIC (the Council's joint venture companies) have declared any Contingent Liabilities in respect of which the Council (as Reporting Authority) are contingently liable.
- c.** The Council (as Reporting Authority) does not have any capital commitments in relation to its interests in Joint Ventures, either in its own right or jointly with other venturers. Neither CSWDC or BVIC (the Council's joint venture companies) have declared any capital commitments which would impact on the Council (as Reporting Authority).

6. Group Amounts Reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cabinet portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Group CI&ES. Please note that the Provision of Service figures include figures for the Joint Ventures (Blythe Valley and Coventry & Solihull Waste Disposal Company), but these Joint Venture figures are not in this Note. Gross figures for the Subsidiary (Solihull Community Housing) have been included in this reconciliation.

	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
2010/11						
Fees, charges & other service income	(88,729)	(1,215)	4,166	(85,778)	0	(85,778)
Interest and investment income	(484)	0	484	0	(703)	(703)
Income from council tax	0	0	0	0	(94,873)	(94,873)
Government grants and contributions	(275,973)	(173)	11,997	(264,149)	(90,907)	(355,056)
Rent received on investment properties	0	0	0	0	(4,166)	(4,166)
Share of operating results of joint ventures	0	(1,319)	0	(1,319)	0	(1,319)
Total Income	(365,186)	(2,707)	16,647	(351,246)	(190,649)	(541,895)
Employee expenses	186,936	(32,337)	0	154,599	7,531	162,130
Other service expenses	284,086	4,509	(3,053)	285,542	0	285,542
Support Service recharges	(4,309)	0	0	(4,309)	0	(4,309)
Depreciation, amortisation and impairment	0	218,749	0	218,749	0	218,749
Interest Payments	23,368	0	(23,368)	0	13,765	13,765
Precepts & Levies	0	0	0	0	12,421	12,421
Payments to Housing Capital Receipts Pool	0	0	0	0	478	478
Investment property expenses and changes in fair value	0	0	0	0	938	938
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	(1,416)	(1,416)
Share of taxation of joint ventures	0	0	0	0	335	335
Total expenditure	490,081	190,921	(26,421)	654,581	34,052	688,633
Transfer to/(from) Reserves	7,993	(269)	(7,724)	0	0	0
Surplus or deficit on the provision of services	132,888	187,945	(17,498)	303,335	(156,597)	146,738

Reconciliation to Subjective Analysis

	Cabinet Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&E net cost of services £000	Cost of Services £000	Corporate Amounts £000	Total £000
2009/10 Comparative Figures						
Fees, charges & other service income	(82,956)	3,478	0	(79,478)	0	(79,478)
Interest and investment income	(1,146)	0	1,146	0	(1,303)	(1,303)
Income from council tax	0	0	0	0	(92,726)	(92,726)
Government grants and contributions	(252,507)	(14,723)	9,924	(257,306)	(85,678)	(342,984)
Rent received on investment properties	0	0	0	0	(4,234)	(4,234)
Share of operating results of joint ventures	0	(1,351)	0	(1,351)	0	(1,351)
Total Income	(336,609)	(12,596)	11,070	(338,135)	(183,941)	(522,076)
Employee expenses	192,405	(3,852)	0	188,553	10,780	199,333
Other service expenses	269,578	44,134	(2,910)	310,802	0	310,802
Support Service recharges	(4,495)	0	0	(4,495)	0	(4,495)
Depreciation, amortisation and impairment	0	92,367	0	92,367	0	92,367
Interest Payments	20,267	0	(20,267)	0	13,193	13,193
Precepts & Levies	0	0	0	0	12,175	12,175
Payments to Housing Capital Receipts Pool	0	0	0	0	752	752
Investment property expenses and changes in fair value	0	0	0	0	(5,000)	(5,000)
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	24,576	24,576
Share of taxation of joint ventures	0	0	0	0	395	395
Total expenditure	477,755	132,649	(23,177)	587,227	56,871	644,098
Transfer to/(from) Reserves	(5,762)	(1,018)	6,780	0	0	0
Surplus or deficit on the provision of services	135,384	119,035	(5,327)	249,092	(127,070)	122,022

Reconciliation of Cabinet Income and Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of cabinet income and expenditure relate to the amounts included in the Group CI&ES

	2009/10	2010/11
	£000	£000
Net expenditure in the Cabinet Analysis	135,384	132,888
Amounts in the CI&ES not reported to management in the Analysis (see note below for further details)	119,035	187,945
Amounts included in the Analysis not included in the CI&ES	(5,327)	(17,498)
Cost of Services in the Comprehensive Income and Expenditure Statement	249,092	303,335

Auditors' report

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Glossary

This glossary is an explanation of terms used throughout this document.

Academy

A school who choose to opt out of local authority's control and maintain their own funding.

Accruals

An accounting principle that recognises income and expenditure as they are earned or incurred, not as money is received or paid.

Actuarial Assumptions

Predictions made for factors that will affect the financial position of the pension scheme.

Amortisation

The measure of the consumption of an intangible asset over its useful life.

Area Based Grant

Is a non-ring fenced general revenue grant, made up of a wide range of former specific grants from seven Government Departments, to support national, regional and local priorities.

Asset

An item that is owned by and can be used by the Council (see also Fixed Asset).

Bad Debt Provision

Bad debts are amounts owed to the Council which it does not believe will be repaid. The Council makes a provision for the amount of bad debt it expects to incur.

Budget

A budget is a plan of approved spending during a financial year (see also Financial Year).

Business Rates or National Non-Domestic Rates (NNDR)

Businesses across the country have to pay business rates. The Government decides how much they should pay and Local Authorities collect the money. Local Authorities pass the money to the Government who then share the total amount collected nationally between Authorities to help pay for local services.

Capital Adjustment Account

This account includes money we have set aside to finance spending on fixed assets.

Capital Programme

The plan of approved spending on fixed assets.

Capital Receipts

Money received from selling fixed assets, and from grant and loan repayments.

CI&ES (Comprehensive Income & Expenditure Statement)

A Core Statement showing the income, expenditure and net cost during the year in relation to each service the Council is responsible for.

CIPFA

The Chartered Institute of Public Finance and Accountancy, the institute that governs accounting in the Public Sector.

Contingent Assets

Amounts that may accrue to the Council, but their actual receipt is not definite.

Community Assets

Assets held by the Council, for example parks and historic buildings, which have no determinable useful life and may have restrictions on their disposal.

Contingent Liabilities

Amounts that the Council may be, but is not definitely, liable for.

Council Tax

A tax paid by residents of the Borough to the Council, based on the value of their property, to be spent on local services.

Creditors

People or organisations that the Council owes money to for work, goods or services which have not been paid for by the end of the financial year.

Current Asset

An asset held for a short period of time, for example cash in the bank, stocks and debtors.

Debtors

People or organisations who owe the Council money at the end of the financial year.

Dedicated Schools Grant

Schools are funded separately from other Council services. The Council receive a Dedicated Schools Grant (DSG) direct from the Government, which is paid over to schools.

Deficit

This occurs when spending exceeds income (opposite of surplus).

Depreciation

The measure of the wear and tear, consumption or other reduction in the useful economic life of a fixed asset.

Direct Method

A method of creating the Cash Flow Statement, this method uses actual cash flow information from the operations segment, instead of using accrual accounting values.

Earmarked Reserves

Money set aside for a specific purpose.

Expenditure

Actual spending for the financial year.

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

An agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also Operating Leases).

Financial Instrument

Any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Year

This runs from 1 April to 31 March.

Fixed Asset

An item, for example land, buildings and vehicles, which yield benefits to the Council and the services it provides over a period of more than one year.

Fund Balances and Reserves

Money set aside to a required minimum level in addition to any surpluses or deficits.

Government Grants Deferred

Government grants and other external contributions received to buy fixed assets are held in the Government Grants Deferred Account. The amount held then reduces each year in relation to the amount that the value of the asset has reduced (see also Depreciation).

Gross Spending

The amount spent on a service before taking into account income that a service has received.

Housing Revenue Account (HRA) Subsidy

A Government grant to help pay for housing services. A negative subsidy is payable to the Government.

IAS

International Accounting Standards are the accounting standards that local authorities are required to follow when producing their financial statements.

IFRS

International Financial Reporting Standards. These apply to Local Government from 1st April 2009 for service concessions (PFI/PPP) and from 1st April 2010 for all other areas.

Impairment

An asset has been impaired when it is judged to have lost value other than through normal use.

Indirect Method

A more commonly used method of illustrating the Cash Flow Statement, showing where the cash went and where it came from.

Infrastructure assets

Assets held by the Council such as highways and footpaths.

Intangible Assets

An item which does not have physical substance (for example, software licenses) but can be identified and used by the Council over a number of years.

Inventories

Goods owned by the Council which have not been used by the end of the financial year.

Investment Properties

Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

Levy

A payment made by the Council to another local service, for example, local transport and the Environment Agency.

Liability

Money the Council will have to pay to other people or organisations in the future.

Loans

Money borrowed to pay for assets.

LOBO

Lenders Options Borrowers Option. A form of loan, where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs the borrower then has the option of either continuing with the loan or redeem it in full without a penalty.

Long Term Loans

Debts which are not due within the forthcoming financial year.

Major Repairs Reserve

A reserve to pay for large scale repairs to Council houses.

Materiality

An item is material if its inclusion in the financial statements would influence or change the judgment of a reasonable person. If the information would have no impact on the decision-maker, it is deemed not material.

MIRS (Movement in Reserves Statement)

A Core Statement showing the movement in the year on different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'.

Net Asset Value

The value of the Council's assets less its liabilities.

Net Book Value (NBV)

The value of an asset after depreciation has been deducted.

Net Spending

The amount spent on a service after taking into account income that a service has received.

Non-current Assets

An asset which is not easily converted into cash or expected to become cash within the next year.

NNDR

Non-Domestic Rates, collected by the local authorities, pooled by central government and redistributed to councils on a formula basis.

Non Operational Assets

This is an asset held by the Council over a number of years but not actively used by a service within the Council. An example of this would be investment properties (see also Operational Assets).

Operating Leases

A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset then this is known as an operating lease (see also Finance Leases).

Operational Assets

This is an asset held by the Council over a number of years and actively used in the provision of services, such as office buildings or vehicles (see also Non Operational Assets).

Payments in Advance

Payments made in the current financial year for goods and services to be received in the following financial year.

Precept

This is money collected by the Council on behalf of another local service, for example the Fire and Police services.

Prior Year Adjustments

Changes made to the previous year's accounts to show things that were not known about until after that year's accounts were produced.

Provisions

Money set aside for a debt that will arise in the future, for example known insurance claims.

Receipts in Advance

Money received before the end of the financial year, but which relates to the following financial year.

Reserves

Amounts put aside by the Council, often used to provide for known future expenditure, e.g. replacement of an asset.

Revaluation Reserve

When the value of an asset owned by the Council changes, the increase or decrease in value is transferred to this reserve.

Revenue Expenditure Funded From Capital Under Statute

Spending on assets that have a lasting value but are not owned by the Council, for example, improvement grants.

Revenue Spending

Spending on the day-to-day running of services. This includes, for example, salaries or running expenses for the Council's buildings and equipment.

Revenue Support Grant

The main Government grant which helps support Council services.

Ring-fenced

Certain accounts, such as the Collection Fund must be maintained separately outside the General Fund as a statutory requirement.

Specific Grants

Grants from the Government which are to pay for a specific Council service or project.

Surplus

What is left of income after expenses have been taken away (opposite of deficit).

Tangible Fixed Assets

An item which has a physical substance and can be identified and used by the Council over a number of years.

Third Party

A person or entity who is not involved in an interaction or relationship with the Council.

Trust Fund

A fund administered by the Council on behalf of others for such purposes as charities and specific projects.

Usable Capital Receipts Reserve

Money received from the sale of fixed assets not yet applied to new capital spending.

Contact Details and Other Sources of Information

Enquiries or comments about this publication should be made to:

Director of Resources
PO Box 9
Council House
Solihull
B91 9QR
Telephone: 0121 704 6238

Other sources of information about Solihull MBC and its finances include:

- **Annual Report 2010/11** (only available online at www.solihull.gov.uk)
- **Council Tax Booklet 2011/12** (issued each year with the Council Tax Demand)
- **Medium Term Financial Strategy 2011/12 – 2014/15**

Paper copies are available from Council House Reception, Solihull and reference copies are kept in Solihull Central Library, or visit the Solihull Council web site: www.solihull.gov.uk

Further information about the Police, Fire and Transport Authority finances can be obtained at the following addresses:

West Midlands Police Authority
The Treasurer to the Police Authority
Finance Department
Lloyd House
Colmore Circus
Queensway
Birmingham
B4 6NQ

The Treasurer of the Authority
West Midlands Fire and Rescue Authority
PO BOX 2372
Sandwell Council House
Oldbury
Warley
B69 3BS

The Treasurer to the Integrated Transport Authority
West Midlands Intergrated Transport Authority
Centro House
16 Summer Lane
Birmingham
B19 3SD

More detailed statistical information about Solihull and all other local councils is contained in a wide range of publications produced by CIPFA. Some of these publications are available in Solihull Central Library or alternatively from CIPFA itself:

Chartered Institute of Public Finance and Accountancy
3 Robert Street
London
WC2N 6RL